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MIGRATION INFORMATION SOURCE  
SELECTED READINGS ON  
MIGRATION AND DEVELOPMENT



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The Migration Information Source provides fresh thought, authoritative data from numerous global organizations and governments, and global analysis of international migration and refugee trends. A unique, online resource, the Source offers useful tools, vital data, and essential facts on the movement of people worldwide.

We chronicle global migration movements, provide perspectives on current migration debates, and offer the tools and data from numerous global organizations and governments needed to understand migration. We do this in a way that is accessible to researchers, policy makers, journalists, and other opinion shapers.

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## Migration as a Factor in Development and Poverty Reduction

By Kathleen Newland  
Migration Policy Institute

June 1, 2003

Migration remains very much the exception rather than the rule of human behavior. An overwhelmingly higher number of people stay at home than migrate. Why then does international migration suddenly loom so large on the international policy agenda? Much of the answer lies in the domestic politics of migrant-receiving countries; part lies in the abrupt demographic transition that the major countries of destination are going through. Another element is concern about the consequences of human-capital flight. These and other factors add up to a heightened consciousness about the importance of migration as a force of globalization and economic change.

Understanding the causal relationship between rich country immigration policy and poor country development is a frustrating pursuit, hamstrung by the absence of data, frequently inaccurate data, and a lack of comparable data.

Furthermore, the balance of costs and benefits accruing to the source countries from migration is controversial. The argument usually comes down to one of remittances versus "brain drain," and the evidence on both sides is weak. Developing tools to identify with greater precision the effects of both factors on development, growth, and poverty reduction is necessary in order to come to any confident conclusions about the impact of migration policy on development. There are, however, many other factors that impose costs and confer benefits, and it is important that they too be taken into account even though the state of knowledge about them is similarly patchy.

### The Costs and Benefits from the Perspective of Poor Countries of Origin

There is little doubt that voluntary migration from a poor to a rich country almost always benefits the individual migrant, who may easily find himself or herself earning in an hour what he or she earned in a day in the country of origin. The question is whether the benefits to individuals (and, commonly, their relatives left behind) aggregate to a general benefit to the home country. The evidence is contradictory and fragmentary. Much of the research that supports beliefs about the overall costs and benefits of migration is based on "micro" studies and cannot conclusively demonstrate the validity of "macro" conclusions.

#### *Remittances*

The most often cited support for the positive side of the argument is the observation that remittances from international migrants play an extraordinary role in the economic accounts of many developing countries, far more important than official development assistance. Worldwide, remittances are estimated at about \$100 billion per year, and approximately 60 percent of this sum goes to developing countries. Overseas development assistance (ODA) from the 23 countries belonging to the Organization for Economic Cooperation and Development (OECD)'s Development Assistance Committee was \$54 billion in 2000. Remittance estimates are notoriously imprecise, however, because remittances often move through private, unrecorded channels.

Moreover, as ODA has been declining, remittances seem to have been rising strongly, even in the face of weak economic performance in the host countries. Flows from the United States to Mexico and Central America, for example, grew from less than \$1 billion in 1980 to more than \$14 billion in 2002.

Despite these numbers, many experts believe that labor migration does not significantly improve the development prospects of the country of origin. Source countries have had great difficulty in converting remittance income into sustainable productive capacity. In addition, most are able to exercise little control over the composition of their labor exports—rather, it is determined by the foreign labor markets, and may bear no relation to "surplus" labor at home. A few countries, such as the Philippines and India, have focused quite deliberately on "producing" skilled labor for foreign markets, but most are passive in the face of international supply and demand.

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In addition, it is argued that remittance income is rarely used for productive purposes. Remittances go in small amounts to poor people (the average size of a transfer from the United States to Latin America is about \$200), and are used mostly to support direct consumption as well as some housing, healthcare, and education. A very small proportion of remitted funds seem to go into income-earning, job-creating investment.

Far from being productive, remittances may increase inequality, encourage consumption of imports, and create dependency. They are often delivered with stunning inefficiency; as much as 20 percent of their value is said to disappear, commonly through high transfer fees and poor exchange rate offerings.

The benefits of remittance income to source countries do not necessarily explain the full impact of remittances on poverty. Remittances may not constitute a rising tide that raises all boats, but they do have a very important effect on the standard of living of the households that receive them, constituting a significant portion of household income.

They are an important social safety net for poor families, possibly reducing additional out-migration in particularly difficult times. Studies in the Dominican Republic showed that residents at all economic and social levels received remittances, but that the poor relied on them most heavily, as one would expect. In the aftermath of the devastating Hurricane Mitch in 1999, the government of El Salvador asked the United States government not for additional humanitarian aid, but for extended permission for Salvadoran immigrants to stay legally in the United States so that they could send money to storm-affected relatives back home.

The relatively small portion of remittances that are used for investment (apart from human capital investment through education and health spending) reflects not only the immediate consumption needs of poor families, but also the discouraging investment climate for the poor. Until such problems as poor infrastructure, corruption, lack of access to credit, distance from markets, lack of entrepreneurial skills, and disincentives to savings are tackled, it is unrealistic to expect remittances to solve the problem of low investment in poor communities. In the meantime, remittances lift many recipients out of poverty, if only for as long as remittances continue.

### ***Brain Drain***

If remittances are the major benefits of migration from the point of view of the source countries, the loss of human resources—particularly highly skilled people—is the most serious cost. The market for advanced skills has become truly a global market, and the most dynamic industrial economies are admitting—sometimes even recruiting—significant proportions of the highly trained professionals from poor countries. *The Economist* in a September 2002 article about emigration assembled the following random snapshots of the brain drain:

- About 30 percent of all highly educated Ghanaians and Sierra Leoneans live abroad
- 12 percent of Mexico's population with higher education is in the United States, and 30 percent of its PhDs
- 75 percent of Jamaicans with higher education are in the United States
- Albania lost one-third of its qualified people in the decade after the fall of communism
- Half of all foreign students who get PhDs in the United States are still there five years later

Ironically, emigrants from countries in which a very small proportion of people gain tertiary education are not only better educated than their compatriots, but also tend to be much more highly skilled than the people of their destination countries.

The loss of skilled people imposes several different kinds of costs on their countries of origin. The most obvious is perhaps the cost of the education itself, which in almost all cases has been heavily subsidized by the state. The emigration of the educated thus represents a transfer from the poor country to the rich.

There are also fiscal costs associated with the brain drain, in that the country of origin loses the tax

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revenue that these potential high-earners would have paid into the national coffers.

The net developmental losses of the brain drain are more difficult to estimate. Losses of highly skilled professionals may, in the extreme case—in which dire economic mismanagement, conflict, poor working conditions, and low levels of reward conspire with opportunities abroad—cripple entire institutions and sectors of an economy. The developmental impact of the brain drain is most severe in source countries with weak human resource bases, where educational systems are not capable of replacing those who emigrate. A "musical chairs" game of replacement migration from other countries is thus set in motion.

Sub-Saharan African countries such as Zambia, Liberia, or Zimbabwe represent an extreme. For countries in crisis, the brain drain is only one manifestation of a more general problem of an economy in free-fall. Many other countries that are seeing high levels of skilled immigration are beginning to think in terms of labor—and even skills—export as a comparative advantage, and to think of ways to maximize its benefits.

### ***Transnational Networks***

Trying to net out the benefits of remittances and the costs of the brain drain is seen by a growing body of analysis as too limited a framework for assessing the impact of migration on development. Other kinds of financial flows may have more concentrated developmental impact than remittances, which, as we have seen, are used primarily for current consumption.

Foreign direct investment from emigrants back to their countries of origin has tremendous potential, and is already important for some countries.

Tourism from immigrant communities to the "old country" is a major earner for countries from Ireland to Vietnam.

Philanthropy by "home town associations" (Mexico) or "returnee associations" (Jamaica), charitable foundations (Egypt) or by individual expatriates provides significant resources for community development at the local level.

Fundraising for political candidates or causes targets diaspora communities.

Nostalgia for the foods and products of the country of origin creates markets for those products in the immigration country, fostering local production and international trade.

All of these interactions are fostered by the growth of transnational networks that sustain deep relations among migrants, their countries of origin, and the countries in which they have settled. In an age of swift and cheap transportation and communication, emigration no longer represents the break with the home country that it once did. And in this context, social and economic capital can no longer be neatly segregated analytically. Many students of migration agree that these transnational networks are today the most important developmental resource associated with international migration.

Transnational networks are not a new phenomenon, but they are relatively new as objects of interest to development analysts and policymakers. Jagdish Bhagwati suggests, "A realistic response requires abandoning the 'brain drain' approach of trying to keep the highly skilled at home. More likely to succeed is a Diaspora model, which integrates past and present citizens into a web of rights and obligations in the extended community defined with the home country as the center." Increasingly, the governments of countries of origin are seeking to cultivate ties with the diaspora, seeing them as a source of investment, overseas market openings, foreign exchange, expertise, and political support (in domestic campaigns as well as vis-à-vis the governments of their new countries of residence).

### **How Development-friendly Are the Migration Policies of Rich Countries?**

It is possible to answer this question with conviction but not with a very solid basis of incontrovertible evidence, mainly because so much is unknown about the complex relationship between migration and development. Are policies that permit large-scale immigration inflows development-friendly? The answer is "yes" if you are convinced that migration is fundamentally a positive force in development;

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"no" if you are preoccupied with the brain drain and skeptical of the influence of the diaspora. There are questions about the fundamental relationship between migration and development, and questions about which elements of that relationship are susceptible to policy intervention.

A certain number of policy arenas can be identified without much risk as being important to the migration-development relationship, although clear causal connections are hard to identify.

The transactions costs that migrants incur in transferring resources back to their home countries are high. Government actions that encourage competition in financial services to migrants and require transparency on fees, exchange rates, and such will increase the value of remittances that actually reach the intended beneficiaries. New requirements placed on money-transfer services to combat money laundering and financing for terrorist organizations may move in the opposite direction, however, and raise transactions costs.

Transferability of pensions benefits source countries by encouraging return migration and infusing substantial funds into countries of origin as retirees repatriate their savings. Returning migrants bring their expertise and experience as well as their money.

The recruitment policies of rich countries have been criticized as exacerbating the brain drain from poorer countries. Yet recruitment for skilled workers is a central part of the immigration policies of such countries as Australia and Canada. The negative development impact of such recruitment in poor countries might be mitigated by support for education and training in the countries of origin, particularly in fields where needed skills are in short supply.

The legal status of migrant workers has a major impact on their ties with their home countries, in a number of ways. Unauthorized migrants earn less for comparable work than those who work legally, and therefore are able to remit less to relatives at home. For migrants who use smugglers because they lack authorization to enter, the often substantial fees reduce the benefits of moving. Unauthorized migrants are less able to seek recourse when their rights are violated, including labor rights. Policies that open paths to legal status for migrants are likely to have a positive developmental impact in the countries of origin.

Studies have demonstrated that the lack of legal status combined with harsh border enforcement makes migrants less likely to return home periodically for family visits, which may lessen his or her ties with family left behind and discourage the flow of remittances. It also tends to convert temporary or circular migrants to permanency, since they are unwilling to run the risks and bear the expense of repeated border crossing.

Family unity policies also have an impact on the development potential of migration, again through the mechanism of remittances. Harsh policies that make it difficult for families to reunite may encourage migrants to send money to relatives left at home, but that is hardly a recommendation for them. Governments have been known to resist more generous policies for that reason, however. In the diaspora model of transnational ties, reunited families are less likely to be seen as a threat to financial flows.

More generally, immigrant integration policies may follow the same pattern of being good for immigrants but bad for remittances, unless strong transnational ties are established and maintained.

Western European countries have in recent years moved to coordinate migration control and development policies more closely, in order to promote the concept of "co-development," put forward originally by France, which recognizes that the source and destination countries of migration occupy a single transnational space. There remains considerable suspicion among some of the partners that the goal is much more strongly to control migration than to contribute to development.

This is merely a selection of some of the most salient migration policies that have an impact on development. Many others could be explored. The relationship between migration and poverty reduction is complex and uncertain; that between migration and development even more so. A recent authoritative study on the migration development nexus, carried out by the Center for Development Research in Copenhagen for the Danish Ministry of Foreign Affairs came to the following unequivocal conclusion: "There is no direct link between poverty, economic development, population growth, social

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and political change on the one hand and international migration on the other. Poverty reduction is not in itself a migration-reducing strategy."

### Conclusion

Is the pendulum swinging, after decades of benign neglect, toward more institutionalization and regulation of migration and migration-related financial flows? In the case of migration, such a trend could be beneficial, since the "open market" for migrants is largely one of undocumented flows, which leave migrants open to exploitation and abuse against which they have little recourse.

If greater efforts to manage migration are primarily restrictionist in nature, however, ignoring labor market needs and family ties, they will impose high costs (not least through the growth of organized crime) and are likely nonetheless to be ineffective. Regulation of remittances and migrant investment has less obvious up-side potential. Regulatory schemes have often amounted to a tax on earnings, a tax on competitiveness, or a distortion of returns on investment. Apart from regulations aimed at illicit end-uses, such as money laundering or support for terrorism, positive incentives have the best chance of influencing the channels or uses of financial flows associated with migration.

There are not many fora in which cooperative migration policies can be agreed at a global level. International migration policy is marginalized to a remarkable degree within global, as opposed to regional, inter-governmental organizations. The sole exception concerns refugee flows, which are dealt with by the office of the UN High Commissioner for Refugees (UNHCR). This fact reflects the extent to which migration continues to be seen as an issue that lies firmly within the prerogatives of the sovereign state, as well as the reluctance of states to be bound by international agreements pertaining to migration.

Given the untapped potential of migration as a factor in development, and the essential and growing role it is likely to play in the advanced industrial societies in the next 20 years, the relative silence of international organizations is an anomaly.

It is ever more apparent that no state finds it easy to control migration single-handedly. At the regional level, discussion and even cooperation on migration is increasingly common. It seems likely that the pressures on global organizations to take up migration issues will grow along with the attention to this prominent aspect of globalization.

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## Migration and Development: Blind Faith and Hard-to-Find Facts

By Kimberly Hamilton  
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November 1, 2003

International migration's potential to promote the development of poor countries has resurfaced high on the international development agenda, and it is not surprising why. More people than ever live outside of their country of birth. The UN estimates that some 145 million individuals have made the trek to another country. Another roughly 30 million, primarily in the former USSR, have had new national frontiers emerge around them. While the overall number of migrants remains small relative to the world's population, the cumulative impact in a variety of areas is believed to be extensive.

There is broad consensus in the research literature that individual migrants and their families enjoy considerable benefits from migration, from higher wages to new training. Today's migrants have masterfully deployed globalization's tools—telecommunications, affordable international travel, and a global financial network—to maintain and expand relationships with their families at home and their communities of origin.

There is much less consensus, however, about whether or not those benefits can also constitute permanent, healthy, and structural change in the communities and countries from which migrants hail. Unfortunately, the link between migration and development is putative rather than proven. It is also often indirect rather than causal. Moving beyond blind faith in migration's transformative power to fact-based policy will require much more clarity on several key dynamics and contradictions that currently exist in the literature. This article examines five critical dimensions of the current debate that require additional focused research.

**1. Courting the diaspora.** Growing and increasingly organized transnational communities of migrants have arguably had the most profound impact on our understanding of migration and development. Today's migrants are less likely to be destined for long-term permanent stays elsewhere. Migrants are now able to travel back and forth more easily, to retain close contact with their families and friends, and, indeed, to build relations with other communities in third countries. The effect is in some ways revolutionary. Communities of national origin exist and operate far outside the boundaries of the nation-state. Their identity reference point is fluid, and their relationship with their home country is still largely unexplored.

The evolving global identity of transnational communities and their relationship to so-called "diaspora-induced development" has forced a reexamination of old migration models. These models, built on push and pull forces and fixed notions of permanent and temporary migrants, have proved incapable of embracing the complexity fostered by diaspora communities and relations. With the understanding that many migrants may prefer circularity to permanence, it is not surprising that sending country governments are moving quickly to capture the hearts and the purses of this important group. Attempts to embrace the diaspora more fully and to encourage circularity have expanded the conceptual and sometimes real notions of state boundaries and citizenship. It is equally unsurprising that countries that now must look to immigrants to fill crucial labor niches are revisiting notions of temporary migration, a longstanding taboo in migration policy circles.

**2. Competing for remittances.** Remittances, or the money that is sent home by migrants to their families and communities, are big business. By some estimates, over \$70 billion in remittances worldwide ends up in developing countries annually, having doubled over the decade of the 1990s. There are some notable elements in the growth in remittances. The first is that remittances are now of special interest, having exceeded official development assistance. Yet, remittances are not equally distributed across the world, with the lion's share going to Latin America and the Caribbean and a decreasing amount going to Africa.

Second, as remittances have grown, so has the market to transfer them—with some interesting consequences. Increased competition for the lucrative remittance transfer business is driving down the fees that migrants have historically had to pay to send money home. This, in turn, has left more

money in the pockets of migrants. Meanwhile, as the banking sector has become more interested in capturing a piece of the migrant money business, migrants themselves have received new opportunities to establish regular bank accounts, an important element in their own financial stability. Such changes in the institutional structure for the transfer of money may affect the amount, timing, use, and availability of remittances.

**3. Thinking beyond remittances.** By most accounts, remittances are the most visible, stable, and tangible link between migration and development. There is little evidence, though, that remittances provide a permanent ladder out of poverty. On the one hand, some studies indicate that remittances, by and large, support nonproductive consumption and stopgap poverty alleviation for many families. On the other hand, there is a growing body of empirical evidence that suggests that remittances can enhance savings and investments and can provide an important buffer against certain risks. In either case, there is no dispute that remittances used in this fashion are critical to the well-being of many families in poorer countries. The concern, rather, is that remittances may foster dependency on, not long-term investment through, external resources. It seems, at best, a distant hope that remittances could help families, communities, and countries remain permanently out of poverty. The enduring challenge is to link individual and family decision-making related to remittance expenditures and investments to broader development goals.

Nonetheless, there are elements emerging in the migration and development conversation that suggest that the connections between sending and receiving countries manifest themselves in far more subtle ways and have moved far beyond the transfer of labor to the transfer of ideas. For example, remittances have linked migrant home town associations to their communities of origin by engendering aspects of voluntary association, civic participation, and shared and transparent decision-making, all critical elements of good governance.

Further, migrants abroad have established small and not-so-small business enterprises that link to and draw from their country of origin. Some migrant groups are creating organized philanthropic efforts, which must make difficult and well-informed decisions about where and how to invest scarce resources. Migrants and their connections back home also foster return tourism that spans generations and provides important foreign currency for countries of origin. While it is difficult to measure these contributions, a problem that further complicates hard empirical analysis, these new social and economic configurations hold promise for development.

**4. Accounting for migrant characteristics.** With remittances on the rise, there is growing interest in who remits, how much, and for how long. Some evidence suggests that remittances may peak and then decline over time, as the family reunification process is completed and immigrants have children themselves. For temporary migrants, however, the dynamics are unlikely to be the same.

Beyond this, legal status as well as gender may be factors. Undocumented immigrants tend to congregate in low-wage and informal sectors and cannot easily traverse national borders, thereby limiting their remitting potential. More research is needed, as well, on refugee communities and their continuing involvement in their home countries as agents of change or funders of conflict. And, as more women migrate, independently and as family members, it is important to understand how they construct their own relationship to their communities at home and abroad, especially because women may tend to send more money home than men.

Attention to migrant characteristics is accompanied by an interest in how return migrants fare in the labor force once at home. It is unclear whether the skills and training learned abroad can be applied effectively at home. The conditions of return, the skills of the returning migrant, and the state of the domestic economy will all shape this experience.

**5. Recovering the costs of brain drain.** Migration and development optimists are quick to point to remittances as the unheralded engine of change. Pessimists are equally quick to target the perennial and unresolved issue of brain drain. To be sure, the loss of skilled citizens to foreign labor markets imposes a double penalty on developing countries. The cost of education quickly becomes a subsidy to already rich countries. This is compounded by the pure loss of talent and potential contributions to the domestic economy.

It is difficult to put a price tag on brain drain, though some governments hope to do so in order to

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recover some of the costs. Just as AIDS has eviscerated an entire professional class in Africa and threatens to do so in Asia, many are concerned that emigration and the recruitment of trained professionals from poor countries will do the same. The "poaching" of talent is magnified by restrictive immigration policies in destination countries that make circular migration difficult.

Several factors may offset brain drain's potential costs, including remittances, lack of employment opportunities at home or underemployment, and continued involvement of the transnational community (including the highly skilled) at home. In fact, some countries, such as the Philippines, have entered the skills export business with gusto, hoping to maximize their economic returns at home by remaining engaged with Filipinos abroad.

It is unlikely that rich and poor countries will be able to "split the difference" and balance the costs of brain drain against the (potential) benefits of remittances. Until then, brain drain and how it is managed are likely to become even more flammable tinder in policy and political circles.

### Conclusion

The five issues addressed above only hint at the enormity of the undertaking. What has not been mentioned is that the migration field, in general, is seriously hamstrung by a lack of reliable and comparable data and, most troubling, persistent inertia in that regard. This paper has also focused entirely on migration from poor countries to rich countries. While the balance of migration has tipped numerically in this direction, there is an enormous amount of south-to-south migration, which may have its own set of characteristics and development outcomes.

In the absence of more research, it is not clear that migrants and migration will provide needed purchase on slippery development terrain. It is abundantly clear, however, that some of the solutions to maximizing migration's development potential are quite far from the migration arena, such as trust in the public sector and good governance practices. Faith in migration's potential is good. Facts, however, will be necessary to transform the vicious into the virtuous circle, without dampening the spirit that compels migrants around the world.

*Kimberly A. Hamilton, PhD is managing editor of the Migration Information Source. This article originally appeared in the Metropolis World Bulletin, September 2003 (volume 3). More information on the Metropolis Project can be found at [www.metropolis.net](http://www.metropolis.net).*

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## Using Remittances and Circular Migration to Drive Development

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This report summarizes the presentations and conversation that took place during the Migration Policy Institute-Migration Information Source meeting on "Using Remittances and Circular Migration as Drivers for Development" hosted by the Center for Comparative Immigration Studies at the University of California San Diego on April 11 and 12, 2003. The meeting brought together 20 international experts from academia, research institutions, government, and multilateral organizations. The fields of expertise represented included demography, geography, refugee protection, development economics, sociology and immigration law and policy, reflecting the complex and diverse array of issues relevant to "migration and development." The goals of the meeting were to:

- highlight changes and new knowledge in migration and development.
- revisit old concepts of migration and development, extract those that continue to resonate, and build upon them with new ideas.
- open a frank discussion on the potential of circular migration and remittances as drivers of economic development.
- identify data and research needs in the area.
- provide the groundwork for a special issue of the Migration Information Source ([www.migrationinformation.org](http://www.migrationinformation.org)) focusing on migration and development and featuring work by many of the experts in attendance.

The synopses below closely track the agenda of the meeting, but also reflect the broad range of related issues that arose in the course of discussion.

### **I. Migration and Development: What's New, What's Old, What's Out**

**Introduction:** Migration and development have been discussed together for well over 30 years. The meeting began with a critical overview of thought on the topic, aimed at discarding flawed concepts, reviewing old debates and identifying new trends. Rather than attempting to settle questions that have long resisted conclusive answers, the meeting focused on building the knowledge base needed to develop coherent policies that maximize the development potential of migration. Discussion was guided by realism about the limited ability of the state to influence positively migration outcomes and by recognition of the determination, hard work, and contributions of migrants themselves. There is a growing awareness of the need to move discussion away from a single-minded focus on state policy to one that also looks at migrants themselves; several attendees spoke of a need for "immigrant policies" in addition to "immigration policies."

Advances in research and thinking on migration informed this discussion. Old themes have reemerged in new contexts, new trends have been studied, and difficult debates continue.

#### **Old and discredited ideas:**

- The concept that either poverty or overpopulation, in and of themselves, causes migration is an oversimplification. People move for a variety of reasons, and their movements are facilitated by complex and enduring transnational social networks.
- The wishful thinking that economic development can reduce migration pressures in the short term has been dispelled.

#### **Old, but reemerging ideas:**

- Interest in remittances has grown while questions about how best to capture development impact remain. Globally, remittances have grown both in nominal terms and relative to source

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countries' GDPs, far outpacing growth in official development assistance. Furthermore, remittances are more stable than both foreign investment, both direct and portfolio. Thus, more countries are looking to remittances as a development tool.

- Debate over the "brain drain" continues. Many developing countries remain very concerned by their lack of control over high-skill labor exports. However, as high-skill and other emigrants have increasingly lent their expertise and capital to business ventures in their home countries, discussion has shifted to embrace the concepts of "brain gain" and "brain circulation."

### New developments:

- Complex "replacement" migration flows have gained in prominence. One example is the replacement of Canadian doctors and nurses who have moved to the US by South Africans, followed by the migration of Cuban medical professionals to South Africa.
- Women account for a growing and often unacknowledged proportion of migrants. In particular, Arab countries and the "Asian tigers" have attracted large numbers of domestic workers. These workers are among the most abused and least protected groups of migrants. Attempts to limit this type of migration have only driven flows underground, where more potential for abuse exists. However, innovative programs, such as one that gives mobile phones to Indonesian women working abroad, can prevent isolation and abuse in the destination country. Implications of the continuing feminization of migration include the "care drain" of women who leave their own families to work abroad as domestic workers.
- Financial flows from migrants other than remittances have grown, including tourism by emigrants and individual and collective foreign direct investment and philanthropy in the source country.
- The concepts of "political and social remittances" has entered the conversation in response to the recognition that migration promotes the exchange of ideas and practices as well as people and money.
- Successes in places such as Hsinchu, Taiwan and Bangalore, India have drawn attention to the role of migrants in creating business linkages and outsourcing production back to their source country.
- Technology has multiplied and intensified the networks that tie migrants and their source countries. The Internet helps migrants maintain social and business ties and gives prospective migrants ready information about jobs and life in the destination country, as well as information about how to get in. Cheap transportation has made return visits or circular migration much more feasible.
- The focus on international migration, and in particular on migration from developing to developed countries, risks ignoring internal and intra-regional migration. Internal and inter-regional migration are more likely to involve the extremely poor and thus are very important both in terms of their direct development impacts and their role in step-wise international migration.
- There is a growing appreciation of the extreme measures—fueled by what some will call "desperation" and others "determination"—that people will take to migrate. A migration and development agenda must consider the adverse effects of border control policies and minimize both illegal crossings and the risks they involve. "Concentrated border enforcement" by the US on the US-Mexico border in the 1990s sought to discourage illegal entry by closing the easiest routes and raising the costs of crossing. Crossings did not drop. Rather, illegal migration flows were diverted through more dangerous terrain. As a consequence, organized smuggling increased and migrant deaths in remote border areas rose markedly. Undocumented Mexican migrants now tend to stay in the US longer in response to the increased risk involved in making another trip to the US.
- Labor migration continues to be part of the discussion on trade liberalization in the context of the WTO's General Agreement on Trade in Services. Although political complications make significant liberalization of labor migration under multilateral agreements difficult, trade and migration experts need to work more closely. Likewise, although NAFTA and other free trade arrangements have not reduced migration pressure, migration remains relevant to developed countries when considering trade policy.

An Enduring Debate: Migration continues to raise difficult questions about the nature of development itself. On one level, development is the alleviation of poverty, and migration clearly contributes to this.

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Migration that results in remittances raises the incomes of the families of migrants and sustains many poor households. Much of that additional income is spent on debt repayment, housing, food, and basic health care and education, roughly in that order. Thus, migration and remittances contribute to progress toward some of the UN's 8 Millennium Development Goals.

On another level, however, development entails long-term structural change: improvements in knowledge, human capital, and infrastructure and the creation of efficient and accessible markets, governments, public services, and other institutions. When viewed through this second lens of development, the effects of migration become more complicated. Some analysts worry that migration, rather than promoting the structural changes needed for development, may actually delay them while creating unsustainable local and family economies. This argument draws a parallel to natural resource windfalls and posits that migration's potential is squandered if it raises incomes without boosting human capital and institutional capacity. According to this line of thought, migration may rob developing countries of their most motivated and innovative people, delaying institutional change. Further, the world's very poorest do not often migrate internationally, blunting migration's impact on poverty.

This philosophical bend does not necessarily lead to different research and policy prescriptions, however. Whether or not labor export constitutes "real" economic development, widespread agreement exists that stopping migration is neither possible nor desirable. Instead, public policy should focus on maximizing the development benefits of migration by increasing the positive impact of remittances and taking advantage of the learning and business opportunities offered by circular migration and the transnational connections that migrants create. No matter where they stand in this debate, experts agree that remittances and the other benefits of migration are the private rewards to the exceptional hard work, risk and initiative of the migrant. Public policy made in the name of economic development must first and foremost reflect this reality: that the basic units of migration, and the most important actors for development, are migrants themselves, not the state. In particular, policies toward remittances must enhance the opportunities available to migrants and their families through innovative financial instruments and incentive-based programs that also further broader development goals.

## **II. New Issues Related to Circular Migration**

**Introduction:** The popular legend of immigration is that migrants move to a receiving country, settle there permanently and are assimilated into a new culture. The reality is that this story represents an increasingly smaller proportion of all migration: a growing proportion migration is circular (migrants return to their sending country, once or many times over a period of time) and "transnational" (migrants move to migrant communities in one or more receiving countries while maintaining strong social, business, and political ties to the sending country.) Although this shift is not as obvious or pronounced for all immigrant groups, these new paradigms of migration represent a potential lever for development: financial, human and social capital gained abroad can have powerful benefits for the source country if migrants return or maintain strong ties. Unfortunately, migration policy still has not addressed these predominant forms of migration and remains grounded in the binary concepts of "permanent" and "temporary" migration. Innovation is needed to help sending countries promote circular migration and use it for development and to assist labor importing countries in developing better temporary labor migration programs.

### **New knowledge and developments in circular migration**

- Modern forms of transport and communication have reduced the "friction of distance" between sending and receiving countries.
- International social networks, based on kinship and hometown ties, give migrants social capital that is useful both in the source and receiving country, encouraging movement between the two.
- Globalization and the growth of international companies have resulted in a dramatic increase in the number of international transfers within companies.
- The number and variety of occupations that have become part of the international labor market exploded, and will continue to grow. Even in middle-income countries, migrants provide most of the labor in the agricultural, construction, and domestic services sectors.

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- A worldwide migration industry has developed, often with the participation or encouragement of national governments, to facilitate temporary labor movement. This industry has both a legal and a black market component. Despite the fact that the clandestine immigration industry is largely controlled by well-organized criminal cartels, many enterprises that facilitate illegal immigration are small family businesses.
- Policies intended to stop undocumented immigration inflows may cause undocumented migrants to spend longer amounts of time in the host country and encourage them to bring their families. For example, Indonesian workers cross the loosely controlled border with Thailand regularly, but few settle for long. In contrast, Indonesians who make the more closely guarded passage to Sabah in Malaysia tend to bring their families and stay longer.
- Receiving countries increasingly prefer temporary migration programs to permanent ones, although they are rightly concerned about how "temporary" they are. Australia, for example, established its first temporary worker programs in the 1990s. One estimate predicts that 15% of new "temporary" migrants will end up living in Australia on a "permanent" basis—a significant number, but not justification for the oft-repeated quote, "There is nothing more permanent than temporary migration." The natural tendency toward voluntary circular migration, properly encouraged, can make temporary programs more successful for all parties.
- Labor segmentation is playing an ever-increasing role in driving migration, particularly circular migration, but policy does not yet reflect this reality. In an increasing number of developed countries, natives are unwilling to perform work that is low-wage, low-prestige, seasonal, or physically demanding. As the populations of the developing countries age, the demand for hard and relatively low-skill service work associated with the needs of the elderly will continue to rise. However, migration programs in the developed countries, particularly temporary ones, generally aim to attract high-skill labor and, aside from the agriculture sector, exclude low-skill labor.
- The role of migration and circular migration in spreading diseases such as AIDS and SARS needs to be examined. Still, public health measures aimed at migrants need to avoid scapegoating them and acknowledge that labor migrants are not the only—or even primary—carriers of diseases from country to country. For example, evidence shows that AIDS was introduced to Indonesia not by returning labor migrants, but Indonesian soldiers returning from peacekeeping duty.

**Temporary labor migration: The good, the bad, and the difference.** A first step toward integrating circularity into our policy frameworks will be to devise temporary labor migration programs that work well. Experience with temporary labor migration has not been universally positive for migrants, sending countries or receiving countries, but good models and clear lessons do exist.

The good: Mexico's temporary agricultural labor program with Canada has been generally successful both in protecting worker rights and promoting circularity. The Mexican government recruits workers for jobs arranged through a Canadian employer's association. The agencies involved certify and monitor both workers and employers. Last year, 12,500 workers participated. In 28 years of operation, no Mexican migrants are thought to have overstayed their visa, only 5% have returned before their visa expired and a number of workers return to the same employer year after year. Switzerland, too, has had a successful temporary visa program that allows migrants to work in the hotel and service industry for nine months per year. Participation in the program has reflected the ongoing development of the sending countries: Southwestern European migrants have been gradually replaced by eastern European workers.

The bad: Temporary labor programs have an enormous potential for abuse, particularly when they are unilaterally administered and their rules are not carefully enforced by the receiving authorities. H-2A and H-2B visas granted by the US, the overwhelming majority of which go to Mexicans, are tied to specific jobs. The system gives employers and recruiters an enormous amount of power over migrants; with little regulation and enforcement on either side of the border, migrants may pay a recruiter for a visa only to end up working for sub-standard wages or conditions. In practice, the system may also be encouraging illegal, long-term stays.

The difference: Future temporary labor migration programs should:

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- create committed bilateral partnerships between sending and receiving countries.
- be market driven, flexible and self-adjusting.
- take advantage of technology in matching employers and workers and enforcing regulations.
- consider both the costs and benefits to the receiving country's workers.
- give migrants the same rights and obligations as native workers to every extent practical.
- open a clear path to legal permanent residency for temporary workers who meet predetermined requirements.
- not tie workers to a specific employer beyond an initial period.
- be self-financed.
- have clear, independent dispute-resolving mechanisms.
- minimize bureaucracy without surrendering the government's ability to audit and enforce compliance.

### III. New Issues Related to Remittances

**Introduction:** Remittances sent back by migrants continue to be a powerful financial force in developing countries. Many countries, such as Jordan, Nicaragua, or El Salvador receive remittances estimated to total 10% or more of GNP. After foreign direct investment and trade-related earnings, remittances are the largest financial flow into developing countries, far larger than official development assistance. Unlike development aid, remittances are spent directly by the families of migrants, so in many respects remittances are a very efficient way to raise the incomes of people in poor countries. However, the costs of transmitting remittances remain high and the wider development effects of remittances are far from clear. There are ways that policy can make remittances a more effective development tool, but interventions must be prudent, incentive-based and informed by further research. New Knowledge and Developments in Remittances

- Research continues to show that remittances are largely spent on debt maintenance, retirement, housing, consumer durables, everyday expenses, education and health care. There are indications that in some parts of the world there has been a shift from spending on housing toward spending on everyday needs.
- Remittances, at least as officially measured, have increased faster than developing countries' GDPs over the past decade. Remittances to Latin America have grown particularly quickly. This probably reflects both a real increase in total remittances and an increase in the proportion of remittances that move through formal, observable channels.
- Legal status affects remittances. Legal immigration status increases remittances by raising earnings and making sending remittances easier, but may decrease remittances over the long term by increasing integration in the migration-receiving country. One study showed that for migrants who enter illegally and later achieve legal status, remittances grow steadily, peak at the time of regularization, and decrease gradually thereafter.
- There are remittance "life cycles" and they vary across cultures, countries, and economic conditions. For example, Indian migrants in the US generally stop remitting within one generation, while many Koreans in Japan continue remitting two generations after migration. In many cases, if one migrant in a family returns home or stops sending money, a "replacement remitter" often migrates.
- Flows of "remittance migration" have grown in response to economic crises. Ecuador's international migration grew significantly in the late nineties when the country was hit by a major economic crisis. 75% of Ecuadorian households now receive remittances totaling \$1.5 billion a year. Most of this remittance growth has been in the past three years and 70% of households with a member abroad say that the migrant left within the past five years.
- Countries may at times discourage mass return in order to maintain the flow of remittances. El Salvador, for example, encouraged the extension of Temporary Protected Status to allow its citizens to stay in the US.
- Anti-money laundering provisions put into place after September 11th have disrupted a few informal remittance channels, specifically those involving the Middle East, Indonesia and the Philippines. The full effect of new security measures remains to be seen.
- The matrícula consular identification card has made it easier for undocumented Mexican migrants to get bank accounts and remit via banks, which are often cheaper. However, the

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political backlash to the matrícula in the US has led El Salvador to put similar consular identification plans on hold.

- The cost of sending remittances to Latin America from the US has remained much higher than to the rest of the world. Poor banking infrastructure in some Latin American countries and long-term contracts with wire service companies have inhibited competition. US banks have entered the market in order to use remittance services to attract US-based immigrants as long-term customers for other banking services.

### Comments on Policy toward Remittances

- A light hand is needed. Concern was expressed that government intervention in remittances risks destroying the enormous benefits of remittances. The government does have a role to play, in supporting migrants who would like to start businesses, invest in their community of origin or donate to public projects, for example, but caution is needed.
- Cut the cost of sending remittances. Competition, market exchange rates and easy access to formal banking institutions are keys to reducing the amount of money spent on remittance transfers.
- Encourage the use of financial services. Remittances can be a way of introducing the poor to banks and they will have stronger positive developmental effects if families keep their remittances in bank accounts. Innovative micro-credit programs, an expanded banking infrastructure and the use of new financial instruments like remittance-backed bonds should be supported.
- Nothing can replace a sound macroeconomy and good investment environment. Migrants will remit more and invest remittances in activities with substantial multiplier effects if exchange/inflation rates are stable and there are viable business opportunities available. Thus, a positive investment climate may be the most powerful tool for maximizing the benefits of remittances.

## IV. Data and Research needs

**Introduction:** Better data and better-guided research is needed to inform policy on migration and development. In particular, migration research needs to focus on and understand better circular and temporary migration, look more at the community and long-term effects of migration and reconcile differences in research and data collection methods with economists and financial institutions. Particular needs brought up by issues in migration and development include:

### **Circularity**

- Current migration data is based on obsolete, binary models of migration and relies too heavily on census and administrative sources. New studies must use longitudinal surveys and a more flexible view of migration that takes circularity into account.
- When each is used alone, visa information, census data and the stated intentions of migrants do not accurately reflect actual migration behavior over time. Data from multiple sources and time points and new types of analysis are needed to learn more about migration decisions.
- More information is needed about the effects of policies that disrupt circularity (such as tightened border controls) or that encourage it (such as transferable pensions).

### **Remittances**

- Future studies of remittance use must focus on the effect remittances have on households' spending of total income. Too many surveys have asked only how the remittances themselves were spent.
- Remittance studies need to look at the effects on entire communities, rather than just households, and to look at changes over time. For example, it is possible that even if remittances decline as a migrant becomes integrated into the receiving country, the social usefulness of those remittances increases because his or her family has met their basic needs and is now capable of investment.

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- Current measures of remittances are incomplete, inconsistent, poorly understood and not well grounded in the reality of migration. One common measure of remittances is the IMF's measurement of "worker's remittances" in the current account, but that figure is somewhat flawed; the earnings of workers who have been living abroad for less than a year are often counted separately in "compensation of employees abroad" and the resources they bring when they move between countries as "migrant transfers," but these categories may be too broad. The IMF also determines residency using a "center of economic interest" criterion that does not match the definition of residency most often used in discussing migration. Compounding the problem, individual central banks use their own criteria to count remittances.
- The net gains of migration to a family need to be quantified. The conventional wisdom that remittances boost family incomes has not been thoroughly evaluated. If, for example, remittances are in fact repayment by migrants for a loan used to pay the often extortionary costs associated with illegal migration then migration may be a zero-sum outcome for the family left behind, or even a loss, for some period of time. While this seems unlikely, study of the net benefits to remittance-receivers is needed.
- Are remittances overcounted or undercounted? Official estimates of remittances do not usually include money sent by informal means or remittances held in foreign currency accounts (until they are converted to local currency), leading many experts to believe that they are significantly undercounted. On the other hand, official estimates may include clandestine transfers from illicit activities or other non-remittance transfers. Finally, in calculating remittances, some researchers and central banks include "compensation of employees abroad" but much of this money is spent in the migration-receiving country and never remitted.

### Other Needs

- Questions remain about many theories commonly used in thinking about migration. For example, the "migration hump" will not be a useful policy insight until it is refined and tested.
- There is a need for "counterfactuals." Migration studies rarely aspire to the rigor of a controlled scientific experiment and all too often study only households that do migrate, while ignoring those with no migrants.
- More econometric studies of migration-related topics are needed.
- The development of transnational political identities needs to be examined more closely. As more countries emphasize dual citizenship and allow migrants to vote from abroad, the effects on both the migrants and the political systems in the sending country need to be explored more systematically.
- The role of funding from migrants in perpetuating civil conflicts deserves more examination. Examples of violent groups financed by migrants include the IRA in Ireland and the Tamil Tigers in Sri Lanka.

**Summary Remarks:** As evidenced by the number and range of data and research needs identified, migration and development is a field where unanswered questions and unsettled debates still abound. A few clear points emerge, however:

- For both sending and receiving countries, efforts to limit or control overall levels of migration have all too often resulted in limited success and unforeseen consequences. However, well-informed policies by governments and the private sector that seek to *manage* and *channel* migration can enhance migration's benefits and minimize its costs. Research and policy advice should focus on finding better management tools and identifying places where judicious use of policy can help developing countries benefit more from migration.
- The community of researchers who study migration is continually redefining and improving its understanding of the changing behavior of migrants. Concepts like "circularity" and "transnationalism" have drawn attention to more ways that developing countries benefit from migration. However, both data collection and public policy remain largely grounded in older, less relevant concepts of migration.
- The intersection between migration and development is large and complex. Migration is tightly linked to a variety of development policy issues: international trade and investment, development aid, finance and macroeconomic growth, among others. Likewise, all types of migration have development impacts, from refugee resettlement to high-skill labor migration.

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New research is needed on a myriad of topics and researchers must be prepared to engage policymakers on a variety of issues. Far greater coordination and collaboration between these two communities will be needed to make research in the area as effective as possible.

Policymakers and researchers alike must not forget that the fundamental units of migration are *migrants themselves*. Policies must be built around migrants to give them incentives and disincentives that further both the aims of receiving countries and the development aspirations of sending countries.

## Migration and Development: Reframing the International Policy Agenda

By Sharon Stanton Russell  
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June 1, 2003

The subject of migration and development is high on the international agenda. It has become a prominent theme in debates within the European Union and in the work of international organizations (see sidebar), and the United Nations General Assembly will discuss the topic once again in its upcoming 58th Session. Thus, it is timely to consider the characteristics of the current policy discussion. What is its scope? Where is it taking place? How does it manifest itself? And what aspects of it warrant "reframing"? A review of the sources noted in the sidebar prompts several observations about the character of the broad discourse on migration and development.

### Overview of Themes and Trends

First, the discussion in the literature tends to be not only state-centered but also developed country-centered. In part, this is a function of the audiences to which these documents are directed, and the nature of the organizations by which they have been commissioned. This is not to fault them; they are doing what they are supposed to do. However, one of the Copenhagen papers poses a trenchant question about the motives of developed countries: "Can partnership with developing countries be real if preventing further migration is the principal European migration policy goal?" (Nyberg-Sørensen et al., p. 49).

The motivation may be unpalatable, but if the intent is to promote greater consistency between migration policies and development policies and to engage developing countries as partners in this process, we may be well advised to ignore the motivations and applaud the objective. That said, the perspectives of, and policy options available to, developing countries are too often lacking in the discourse, and greater attention to these would be a welcome part of any "reframing." Further, at least some of the voices in the discussion of migration and development raise the important point that policy on trade (an important two-way relationship) is critical to development, and a much larger and more powerful tool than aid, so the subject is not absent from current policy discourse. In practice, however, trade policies of high-income countries are too often inconsistent with their policies to promote development in low-income countries, in part because trade policies are especially sensitive to domestic political forces.

Second, the broad discussion also frequently suggests that the subject of migration and development is "new" or has been neglected or marginalized until now. It is true that the salience of migration and development in multilateral organizations and international agendas has grown dramatically in recent years. But this should not obscure the fact that there is a body of literature on various aspects of the subject that goes back at least a decade or two. As we move forward in the policy discussion and in new research directions, we should not lose sight of the findings of previous studies, lest we "reinvent the wheel." Of course, some "old issues" are still with us. For example, we are not finished with

### Sources on the Policy Debate

As Kathleen Newland's article in this issue of the Migration Information Source suggests, the discussion of migration and development is wide-ranging. This broad scope is also reflected in the papers from the April 2002 Copenhagen conference on The Migration-Development Nexus (International Migration 2002). Other recent examples of the current policy discussion include the UN Population Division's International Migration Report 2002 (UN 2002), the recent Communication from the European Commission (Commission of the European Communities 2002), reports from the remittances project launched in 2000 by the Multilateral Investment Fund of the Inter-American Development Bank, the latest volume of Global Development Finance (World Bank 2003), and various internal UN reports. These are just some of the institutionally based examples of the discussion. In addition, there are a number of studies—published in journals, or in progress—by individual researchers that form part of the discourse.

understanding the "migration hump" (the relationship between income and the propensity to emigrate). Among other open questions, even if countries are better off in absolute terms (by per capita income and other measures of development), what happens to the propensity to migrate if their relative position with regard to other countries has declined with widening disparities in income between countries?

Third, there is room for more explicit and nuanced discussion of what we mean by "development." In much of the policy discussion, the term is not operationalized or defined. Recognizing that "development" appears on both sides of the equation—i.e., as both a dependent and an independent variable—a reframed discussion would benefit from considering not only changes in levels and distribution of per capita incomes, but also political and social dimensions of development, including, for example, democratic institutions, transparency, an active civil society, and equitable access to political participation.

**"Can partnership with developing countries be real if preventing further migration is the principal European migration policy goal?"**

Fourth, the integration of migration in external policies and programs, noted by the European Commission as "...a new field of action for the [European] community co-operation and development programmes" (Commission for the European Communities, 2002, p. 18), along with the growing attention to migration in globalization debates and in regional processes linked to the [Berne Initiative](#) are likely to open new opportunities for research and insights into the complexities and outcomes of these efforts in the realm of migration and international relations. Finally, new evidence provided by the UN Population Division indicates that 60 percent of international migrants (people living outside their countries of birth or nationality) are now in the more developed countries, whereas two decades ago more than half of all international migrants were to be found in the less developed countries. Admittedly some of this apparent population redistribution is the result of reclassifications following the breakup of the former Soviet Union and Yugoslavia. However, this shift reminds us that the changing demographic factors underlying migration (including changes in rates of natural increase, overall population growth, and labor force size) will require continual reframing of the policy discussion about migration and development, albeit in ways that may not be readily foreseen.

### **Toward Prescriptive Policies**

Remittances have long been a central factor in the relationship between migration and development. Arguably one of the most salient, and welcome, features of the current policy discussion is the participation of new voices from institutional actors, notably multilateral and commercial banks, non-bank financial institutions, and migrants' "hometown associations." Their engagement has led to greater attention to—and some progress toward—reducing the transaction costs of sending remittances, increasing the volume of flows through official channels, and developing new instruments (such as remittance-backed bonds), to facilitate leveraging remittances for development purposes. So, what is there to "reframe?" Much of the current discussion lacks an adequately updated and expanded knowledge base from which to derive meaningful, prescriptive guidance to developing countries about what policies are likely to enable them to make the best uses of remittances. To provide such guidance, we need more and better empirical, multivariate analyses to explore the efficacy of various policy mixes. For example, how do remittance flows, utilization, and effects interact with—and differ under—alternative approaches to macro-economic stabilization via fiscal and monetary controls, exchange rate regimes, trade, and institutional reforms in financial sector and state-owned enterprises? A better understanding of the relationships between remittances and economic policies would help inform the decisions of developing countries and strengthen their "agency" in dialogue with developed countries, although we should also bear in mind that there are, inevitably, limits to what we can expect policies to accomplish.

### **Maximizing the Benefits of Return and the Diaspora**

The policy discussion about migration and development also addresses "circular" or "return" migration, concerning which there are three points that invite reframing. First, one thread of the current discourse focuses on the strategy of linking development assistance to the willingness of developing countries to take back ("readmit") migrants who originated from these countries, when a developed destination country seeks to return them. A recent example is the Communication from the EU Commission to the Council and the European Parliament in December 2002, which postulated that,

## Migration Information Source: Selected Readings on Migration and Development

"...presenting a global development package to developing countries will encourage them to enter into readmission agreements" (Commission of the European Communities, 2002, p. 5). Such language reflects the highly politicized nature of some types of returns and of EU thinking about migration and development. In all likelihood, this approach will not go away any time soon, in part because it is viewed (at least by some) as serving to reassure domestic constituencies that migration is being "managed." But in linking development assistance and readmission, all concerned would be well-advised to study and consider the consequences—at the household, community, and national levels in countries of origin—of state-initiated returns, both planned and unplanned. For example, there are deportations of irregular migrants, rejected asylum-seekers, unwanted migrant workers (such as those expelled from Saudi Arabia and other Gulf States), and those suddenly displaced by wars. It will be difficult to evaluate the efficacy of EU efforts to link development and readmission until and unless there is sufficient funding devoted to development per se. Of the 934 million Euros programmed for external aid in 2000-2006, only 13 percent is allocated to "development," and that for only two countries, Morocco and Somalia. The major share of the budget is allocated to "management of migration flows" (read strengthening border control and mitigating illegal or irregular migration).

Second and more generally, in the past various studies have suggested that "return migrants do not fare well in the labor market. In many cases, their unemployment rate is higher than [that of] non-migrants." (O'Conner and Farsakh 1996, p. 23). Given the many forms of return now taking place, from deportations to "brain gain," it is time to revisit the experiences of returnees, disaggregating them by types of return.

Third, the increasing efforts on the part of governments in origin countries to reach out to their migrants abroad raise a number of issues that need to be explored. The subject and implications of dual citizenship are already on the agenda, but there are further, related topics that need to be addressed. For example, what are some of the challenges to governance posed by transnational communities? Do migrants abroad have the same "standing" in decisions about their home countries as those who have remained behind? "Who decides who decides?"

### Conclusion

As the discussion of migration and development proceeds, it is to be hoped that at least some key issues will be reframed along the lines proposed here. Within the high-income countries, greater coherence between trade and development policies—and more attention to the implications of the former for migration—is warranted. More and better research is called for to strengthen our understanding of the relationship between migration and both income and other indicators of development, as well as to expand the knowledge base from which to derive guidance to developing countries seeking to make the most effective use of remittances. We need to assess carefully the risks and benefits of various forms of return migration and to address the myriad issues associated with governing transnational communities. Such reframing offers the potential to strengthen the partnerships between origin and destination countries.

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## Understanding the Importance of Remittances

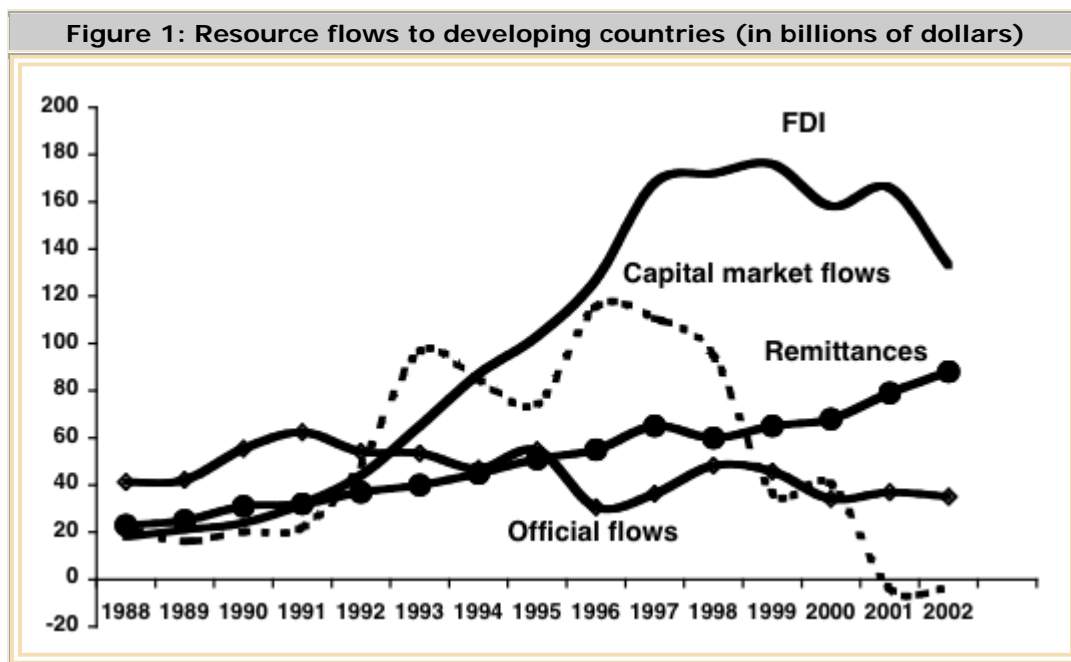
By Dilip Ratha  
World Bank

October 1, 2004

Workers' remittances have become a major source of external development finance, providing a convenient angle from which to approach the complex migration agenda. The development community needs to consider how to best manage remittance flows and how the body of research on remittances can be strengthened, both for the purpose of understanding the impact of remittances and for forming more effective policy for managing remittances. This article looks at these questions and explores ways to improve on the knowledge and impact of remittances in development.

Officially recorded remittances received by developing countries exceeded \$93 billion in 2003. The actual size of remittances, including both officially recorded and unrecorded transfers through informal channels, is even larger. Remittances are now more than double the size of net official flows (under \$30 billion), and are second only to foreign direct investment (around \$133 billion) as a source of external finance for developing countries.

In 36 out of 153 developing countries, remittances are larger than all capital flows, public and private. Also, remittances are stable, and may even be counter-cyclical in times of economic hardship (Figure 1). Moreover, remittances are person-to-person flows, well targeted to the needs of the recipients, who are often poor. They can also be altruistic transfers that do not have to be paid back.

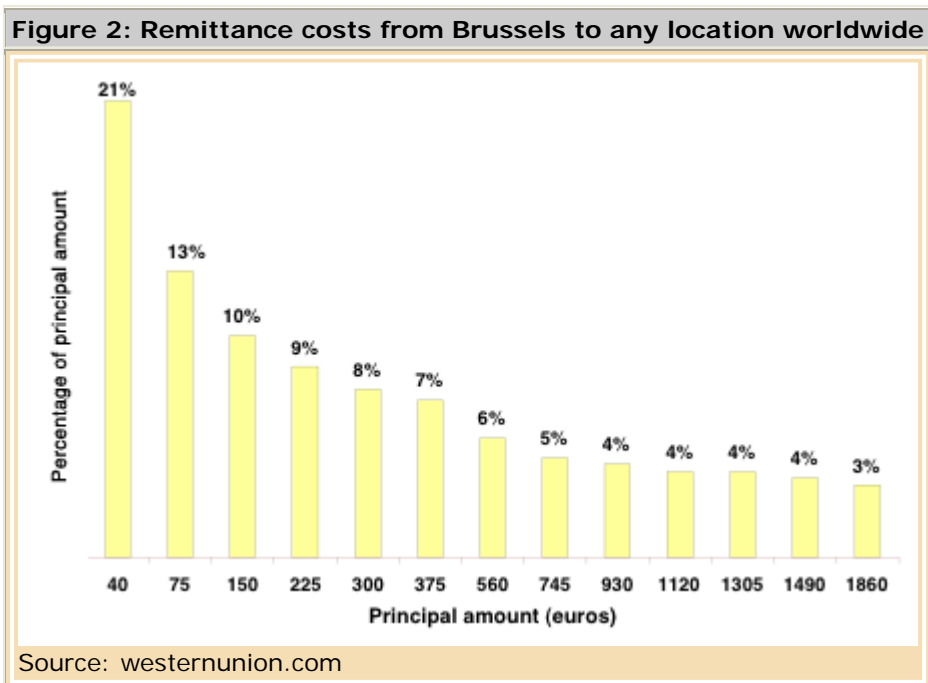


### Financial Infrastructure

Exorbitant fees – 13 percent on average and frequently as high as 20 percent – charged by money transfer agents are a drain on hard-earned remittances (Figure 2). These fees especially affect the poor. Reducing remittance fees by five percentage points could increase annual remittance flows to developing countries by \$4 to \$5 billion.

It is difficult to see why remittance fees should be so high, and why they should increase – rather than stay fixed – when the amount of transfer increases. It appears that the regulatory framework is

flawed. There seem to be barriers to competition, and perhaps duplication of efforts in the payments system (e.g., each transfer agency investing in its own proprietary transfer system). Fixing this problem would involve policy coordination in both source and destination countries.



Improving migrant workers' access to banking in the remittance-source countries (typically developed countries) would not only reduce costs, but also lead to financial development in many receiving countries. Facilitating remittance flows would require using the existing retail financial infrastructure, such as postal savings banks, commercial banks, or microfinance institutions in rural areas. Also, given that the average cost declines as remittances increase, there may be scope for policy measures that alleviate cash constraints and enable migrants to send larger amounts of funds (though less frequently), thereby saving on remittance costs.

### Regulation of Remittance Flows

There is a need to strike a balance between a regulatory regime that minimizes money laundering, terrorist financing, and general financial abuse, and one that facilitates the flow of funds between hard-working migrants and their families back home.

Remitters use informal channels because these channels are cheaper, better suited to transferring funds to remote areas where formal channels do not operate, and offer the advantage of the native language and, on rare occasions, anonymity. Informal channels, however, can be subject to abuse. Strengthening the formal remittance infrastructure by offering the advantages of low cost, expanded reach, and language can shift flows from the informal to the formal sector. Both sender and recipient countries could support migrants' access to banking by providing them with identification tools.

### Development Impact

On the positive side, remittances are believed to reduce poverty, as it is the poor who migrate and send back remittances. But this view has its critics.

It is sometimes argued that remittances may increase inequality, because it is the rich who can migrate and send back remittances, making recipients even richer. These questions should be studied at the macro level using cross-country data, and at the micro level using household surveys. The impact of remittances depends on their use, especially on schooling of children. A recent study from El Salvador shows that the school drop-out rate is lower and the enrollment ratio higher in households that receive remittances.

## **Migration Information Source: Selected Readings on Migration and Development**

It's important to consider how remittances may offset the negative effects on economic growth and fiscal revenue of the remittance-receiving country when skilled workers emigrate. The brain drain issue, along with the issue of job competition from in-migration in labor-receiving countries, may well hold the keys to the success of the global migration agenda.

### **Improving Available Data**

Reliable data on remittances are key to understanding the impact of development, yet available data leave much to be desired. Informal remittances are large and indeterminate. But even recorded data are also incomplete. Canada and Denmark, for example, do not report any remittance data.

A major effort will be necessary to improve data on remittances. This effort would have to go beyond simply collating information. It would require investigating the relationship between migration stock and remittance flows, migrant workers' remittance behavior in major remittance-source countries, and the way remittances respond to changes in the source and destination economies.

### **Fiscal Incentives**

The majority of developing countries offer tax incentives to attract remittances. The side effect of such incentives, of course, is that remittances may then be used for tax evasion and money laundering. Also, a number of governments provide matching funds for remittance-backed projects.

For example, some states in Mexico use a "3-for-1" program, matching every dollar sent by migrant groups with \$3 of local government funds to pay for infrastructure projects. This means a school could be rebuilt with \$1,000 from migrants and \$3,000 from the local government, for a total investment of \$4,000. Again, the side effect may be diversion of scarce budgetary resources to projects that non-resident nationals favor. These questions have not been examined seriously yet.

Many aid agencies are looking into using hometown associations (HTAs) to channel aid, but these associations will have limited potential for channeling any significant volume of official funds. However, HTAs might be used to promote community financing of infrastructure or provide other collective funding for community priorities.

Related to the brain drain question is the issue of how governments in labor-sending countries may recover lost taxes resulting from skilled migration. The literature has suggested changing the tax policy from one based on geography (i.e., taxing income guaranteed within the country) to one based on nationality (i.e., taxing nationals even when they reside abroad, similar to the US tax policy).

### **Conclusion**

There is tremendous potential for using remittances to encourage development in countries. Yet, though much progress has been made toward understanding remittances, the limitations mentioned above highlight how their potential impact is significantly reduced.

Learning more about the best ways to capture and make use of remittances will require reconsidering how financial inflows are received in countries. In addition, development policymakers will need much more research on how to use remittances so they positively contribute to migrants' home communities and countries.

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## Remittance Data

### By MPI Staff

June 1, 2003

The main sources of official data on migrants' remittances are the annual balance of payments records of countries, which are compiled in the *Balance of Payments Yearbook* published annually by the International Monetary Fund (IMF). For more information on remittances from the United States based on this data, see this issue's **Spotlight**.

In migration literature, the term "migrant remittances" has generally come to refer to the transfers in cash or in kind from a migrant to household residents in the country of origin. However, the IMF data presented in the tables below are based on a much broader definition and include three categories of data:

- **Workers' remittances** refer to transfers in cash or in kind from migrants to resident households in the countries of origin. Usually these are ongoing transfers between members of the same family, with persons abroad being absent for a year or longer.
- **Compensation to employees** refers to the wages, salaries, and other remuneration, in cash or in kind, paid to individuals who work in a country other than where they legally reside. For example, the wages earned by seasonal or other short-term migrant workers (i.e., abroad for less than a year) would be included in this category, as well as border workers who work, but do not reside, in a neighboring country. It also includes wages and salaries earned by the local staff of foreign institutions, such as embassies and international organizations, and companies based abroad but operating locally.
- **Migrants' transfers** refer to capital transfers of financial assets made by migrants as they move from one country to another and stay for more than one year.

The data provided in the tables below show the **total remittances**, which is the sum of the values of the three IMF categories defined above.

While the categories used by the IMF are well defined, there are several problems associated with their implementation worldwide that can affect their comparability. The data have serious limitations and the estimates obtained should be interpreted with caution. On the one hand, official remittance figures may underestimate the size of flows because they fail to capture informal remittance transfers, including sending cash back with returning migrants or by carrying cash and/or goods when migrants return home. On the other hand, official remittance figures may also overestimate the size of the flows. Other types of monetary transfers -- including illicit ones -- cannot always be distinguished from remittances.

The information presented here is derived from "Measurement of Remittances," pp. 321-362 in Bilsborrow et al., 1997, *International Migration Statistics: Guidelines for Improving Data Collection Systems* (Geneva: International Labour Office).

## TABLES

Table 1. Top fifteen countries with the highest total remittances received, 2001

Country	Total remittances (in millions) <sup>1</sup>	GDP (in millions) <sup>2</sup>	Total population <sup>3</sup>	Total remittances as percentage of GDP	Total remittances per capita
Mexico	9,920.0	617,819.7	101,879,171	1.6	97.37
France	9,220.0	1,309,807.0	59,658,144	0.7	154.55
India	9,160.0	457,048.8	1,002,708,291	2.0	9.14
Philippines	6,366.0	71,437.7	81,369,751	8.9	78.24
Spain	4,692.0	581,823.0	40,087,104	0.8	117.05
Germany	3,800.0	1,846,069.0	82,280,551	0.2	46.18
Portugal	3,573.0	109,802.5	10,066,253	3.3	354.95
Belgium	3,493.0	229,609.6	10,258,762	1.5	340.49
Egypt	2,911.0	98,475.8	71,901,545	3.0	40.49
Turkey	2,786.0	147,682.7	66,493,970	1.9	41.90
United States	2,380.0	10,065,270.0	285,023,886	--	8.35
Italy	2,266.0	1,088,754.0	57,844,924	0.2	39.17
Bangladesh	2,104.5	46,705.9	132,974,813	4.5	15.83
Greece	2,014.0	117,168.7	10,623,835	1.7	189.57
Jordan	2,011.0	8,829.1	5,153,378	22.8	390.23

-- Figure rounds to 0.0.

<sup>1</sup>The remittance data presented in the above table are from IMF (International Monetary Fund), 2003, *Balance of Payments Statistics Yearbook 2002* (Washington, DC, IMF Publications Services). "Total remittances" refers to the sum of the 1) workers' remittances, 2) compensation to employees, and 3) migrant transfers reported by each country. The remittance data presented for all countries are for 2001 except the data for India which are for 2000. For additional information on how remittances are defined and measured, see Chapter Seven in Bilsborrow et. al., 1997, *International Migration Statistics: Guidelines for Improving Data Collection Systems* (Geneva: International Labour Office).

<sup>2</sup>The source for the gross domestic product for each country is the World Bank website at [devdata.worldbank.org/data-query](http://devdata.worldbank.org/data-query). The GDP data presented for all countries are for 2001 except the data for India which are for 2000.

<sup>3</sup>The source of the total population data for each country are estimates generated by the US Census Bureau (see [www.census.gov/ipc/www/idbrank.html](http://www.census.gov/ipc/www/idbrank.html)). The total population figures presented for all countries are for 2001 except India which is for 2000.

**Table 2. Top fifteen countries with the highest total remittances received as a percentage of the GDP, 2001**

Country	Total remittances (in millions) <sup>1</sup>	GDP (in millions) <sup>2</sup>	Total population <sup>3</sup>	Total remittances as percentage of GDP	Total remittances per capita
Lesotho	209.0	796.7	1,852,808	26.2	112.80
Vanuatu	53.3	212.8	192,910	25.0	276.14
Jordan	2,011.0	8,829.1	5,153,378	22.8	390.23
Bosnia and Herzegovina	860.1	4,769.1	3,922,205	18.0	219.29
Albania	699.0	4,113.7	3,510,484	17.0	199.12
Nicaragua	335.7	2,067.8	4,918,393	16.2	68.25
Yemen	1,436.9	9,177.2	17,479,206	15.7	82.21
Moldova (Republic of)	223.1	1,479.4	4,431,570	15.1	50.34
El Salvador	1,925.2	13,738.9	6,237,662	14.0	308.64
Jamaica	1,058.7	7,784.1	2,665,636	13.6	397.17
Dominican Republic	1,982.0	21,211.0	8,475,396	9.3	233.85
Philippines	6,366.0	71,437.7	81,369,751	8.9	78.24
Uganda	483.0	5,675.3	24,170,422	8.5	19.98
Honduras	541.0	6,385.8	6,357,941	8.5	85.09
Ecuador	1,420.0	17,982.4	13,183,978	7.9	107.71

<sup>1</sup>The remittance data presented in the above table are from IMF (International Monetary Fund), 2003, *Balance of Payments Statistics Yearbook 2002* (Washington, DC, IMF Publications Services). "Total remittances" refers to the sum of the 1) workers' remittances, 2) compensation to employees, and 3) migrant transfers reported by each country. The remittance data presented for all countries are for 2001, except the data for Yemen which are for 2000. For additional information on how remittances are defined and measured, see Chapter Seven in Bilborrow et. al., 1997, *International Migration Statistics: Guidelines for Improving Data Collection Systems* (Geneva: International Labour Office).

<sup>2</sup>The source for the gross domestic product for each country is the World Bank website at [devdata.worldbank.org/data-query](http://devdata.worldbank.org/data-query). The GDP data presented for all countries is for 2001 except the data for Nicaragua which is for 1998 and for Yemen which is for 2000.

<sup>3</sup>The source of the total population data for each country are estimates generated by the US Census Bureau (see [www.census.gov/ipc/www/idbrank.html](http://www.census.gov/ipc/www/idbrank.html)). The total population figures presented for all countries are for 2001, except Yemen which is for 2000.

**Table 3. Top fifteen countries with the highest total remittances received per capita, 2001**

Country	Total remittances (in millions) <sup>1</sup>	GDP (in millions) <sup>2</sup>	Total population <sup>3</sup>	Total remittances as percentage of GDP	Total remittances per capita
Luxembourg <sup>4</sup>	576.0	18,540.0	442,972	3.1	1,300.31
Jamaica	1,058.7	7,784.1	2,665,636	13.6	397.17
Jordan	2,011.0	8,829.1	5,153,378	22.8	390.23
Portugal	3,573.0	109,802.5	10,066,253	3.3	354.95
Belgium	3,493.0	229,609.6	10,258,762	1.5	340.49
El Salvador	1,925.2	13,738.9	6,237,662	14.0	308.64
Vanuatu	53.3	212.8	192,910	25.0	276.14
New Zealand	1,034.0	50,425.3	3,864,129	2.1	267.59
Dominican Republic	1,982.0	21,211.0	8,475,396	9.3	233.85
Bosnia and Herzegovina	860.1	4,769.1	3,922,205	18.0	219.29
Albania	699.0	4,113.7	3,510,484	17.0	199.12
Greece	2,014.0	117,168.7	10,623,835	1.7	189.57
Austria	1,513.0	188,545.5	8,150,835	0.8	185.63
Switzerland	1,255.0	247,090.7	7,283,274	0.5	172.31
Croatia	727.7	20,260.5	4,334,142	3.6	167.90

<sup>1</sup>The remittance data presented in the above table are from IMF (International Monetary Fund), 2003, *Balance of Payments Statistics Yearbook 2002* (Washington, DC, IMF Publications Services).

"Total remittances" refers to the sum of the 1) workers' remittances, 2) compensation to employees, and 3) migrant transfers reported by each country. The remittance data presented for all countries are for 2001. For additional information on how remittances are defined and measured, see Chapter Seven in Bilsborrow et. al., 1997, *International Migration Statistics: Guidelines for Improving Data Collection Systems* (Geneva: International Labour Office).

<sup>2</sup>The source for the gross domestic product for each country is the World Bank website at [devdata.worldbank.org/data-query](http://devdata.worldbank.org/data-query). The GDP data presented for all countries are for 2001.

<sup>3</sup>The source of the total population data for each country are estimates generated by the US Census Bureau (see [www.census.gov/ipc/www/idbrank.html](http://www.census.gov/ipc/www/idbrank.html)). The total population figures presented for all countries are for 2001.

<sup>4</sup>For Luxembourg, all of the remittances reported for 2001 fall into the "compensation to employees" category. The compensation to employees category includes wages, salaries, and other remuneration paid to individuals who work in a country other than where they legally reside. This includes seasonal or short-term migrants, border workers who work but don't reside in a neighboring country, as well as the local staff of embassies and other international organizations.

## Soaring Remittances Raise New Issues

By Richard Black

June 1, 2003

The sending of remittances by migrants is an old topic in the study of migration, but one that recently has stirred renewed policy attention. As estimates of global remittances by migrants rise, to a level that is on par with global development assistance and foreign direct investment in the developing world, it is not surprising that the phenomenon is of interest to development policymakers. What, then, are the "new" issues that researchers should be concerned with, if the development potential of remittances is to be realized?

A useful starting point is to consider what is already known about remittance behaviour, as a basis on which new research might build. Beyond the obvious issue of measurement of the quantity of remittances – where much remains to be done – three key issues stand out. First, when and why do migrants choose to remit money, or remit greater sums? Second, how are these transfers made, and are there ways to make these transfers easier or more effective? And third, to what use are remittances put?

### When and Why Do Migrants Remit?

There is now a substantial economic literature that considers the reasons why migrants send money home, and which seeks to model remittance behavior in order to predict when remittances will increase. Evidence has been produced to support differing theoretical explanations of remittance behavior, including "altruism," which suggests that remittances rise when the economic needs of families back home increase (Becker 1974), the notion of "exchange," which suggests that migrants are effectively paying back family and relatives for investments in the education or travel of the migrant (Cox 1987), and the idea of "co-insurance," where both migrant and family provide monetary and in-kind transfers to ensure the other against temporary "shocks" (Lucas and Stark 1991). More broadly, it is possible to say with some confidence that remittances are likely to be higher in situations where the migrant leaves broadly for economic rather than political or social reasons, where they have temporary rather than permanent resident status, where they are young, but married with family left behind at home, and that remittances will increase as emigrant wages increase – although at a certain point, further increases in wage levels do not seem to translate into higher remittances (Taylor 1999; de la Garza and Lowell 2002). However, these understandings do not necessarily provide clear policy signals, particularly for governments of sending countries who are likely to have relatively little influence over who migrates.

### Mechanisms for Transfer

A second area of existing research and knowledge – and one which is currently developing quite fast – is in the analysis of the mechanisms through which migrants send money, and the institutional barriers to efficient transfer of remittances. For example, there has been interest in the relative performance of formal and informal channels, and interesting recent work that highlights the efficiency of channels such as "hundi" or "hawala" systems of money transfer that generally lie outside the formal and regulated banking and financial sector, and can cost half or less than formal banking and other channels in terms of commission, as well as having much greater reach to rural areas of origin of migrants in certain parts of the world (El Qorchi 2002; Ballard 2002).

At the same time, and particularly in the context of fears that such informal systems can also be a potential channel for money laundering and supply of funds to terrorist groups, there is considerable interest among policy makers in drawing more remittances into formal, regulated channels. The UK's Department for International Development has commissioned work on three pairs of countries that are sending and receiving countries for migrants, to explore the barriers to transfer through formal financial channels. Similar work by IADB has investigated transmission costs and regulation in this developing sector in Latin America (Suro et al. 2002).

Here, the policy implications are perhaps clearer: remittances are likely to increase if legislative barriers and fiscal costs of financial transfers can be reduced; the latter is likely to be facilitated by the introduction of more market players and modes of transmission, better provision of reliable

information to migrants on the costs of transfer, and generally better and more credible supervision of the sector to ensure the transparency and reliability of transfers.

### **How Are Remittances Used?**

The third area of "existing knowledge" concerns the use to which remittance flows are put by migrants' families and more generally in countries of origin. Here, a longstanding literature has suggested that remittances are too often put to "unproductive uses" – satisfying basic consumption needs, buying medicines, building a house for the migrant's retirement, or spending on "conspicuous consumption" in festivals and funerals as well as daily life – although such expenses can have a number of multiplier effects in the local economy (Russell and Teitelbaum 1992). Where remittances are invested in businesses, all too often these are seen as small-scale, at the margins of profitability, and concentrated in the retail and services sectors. Here, existing policy interest has focused on providing incentives for migrants to invest in "productive" activity, including special funds and instruments, investment breaks, loans, as well as training in entrepreneurship skills, and the promotion of trust, leadership, and transparency.

### **Challenges to Current Knowledge**

However, despite this attention, there remain gaps in our understanding of how remittances are, or can be used, to promote development, especially given that existing policy incentives are not generally considered to have been very effective in channelling remittances towards development.

A first point to make is to challenge the notion that the use of remittances for private consumption necessarily conflicts with the promotion of more socially useful ends – for example, consumption stimulates demand, which may create markets and jobs, while if "development" is defined as the reduction of poverty, remittances may be very effective in putting cash directly into the hands of poor people, to lift them out of poverty. Nonetheless, a first challenge here is to analyze further the extent to which remittances do go directly to poor people, or alternatively act to enhance inequality by enriching the already better-off families of migrants. Attention also needs to be focused on understanding the wider multiplier effects of the use of remittances. For example, if migrants families use direct transfers to invest in health and education – as appears common in many situations – what are the knock-on effects of these investments on the wider provision of health and education services?

A second challenge relates to the fact that although early theoretical work in economics focused on analysis of data on domestic remittances from urban to rural areas, more recent research interest, and especially interest in the institutional mechanisms through which remittances are transferred, has focused overwhelmingly on international remittances. In this context, there remains a need to consider how to improve the operation and supervision of financial markets in source areas for internal migration, to ensure transparency and to reduce the costs of domestic transfers – even though these transfers do not involve the specific issues of currency exchange and international regulation of transfers.

Thirdly, although economic theories of remittance behavior as "co-insurance" between migrants and their families emphasize the changing amounts (and directions) of remittance flows over time, there remains a challenge to consider further how time away affects the propensity of migrants to remit money, and to seek to extend the time frame within which such remittances are maintained. Indeed, although there is a general understanding in the literature that remittances are likely to decline over time as migrants become more committed to their host country or region – three to five years away seems to be the peak period in which remittances are sent, and there is often a particular fall at the point at which a migrant achieves permanent resident status abroad – such a pattern is not inevitable and may be affected radically by macro-economic context, social and political change, and life events among migrants and their families. There is a need to understand these influences better – an understanding that may need to be context-specific.

A fourth issue is that although the micro and meso level have received considerable attention in research on what stimulates remittances, understanding of the significance of the macro context has arguably been left out of many analyses. There is considerable hope expressed in some accounts of remittances that they can *lead* to development, yet such expectations may be overly optimistic in the context of a poor macro-economic or political climate. Indeed, it may well be immoral or dishonest to encourage migrants to invest remittances in businesses or economic growth at a time when other

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investors would not do so because the returns are too uncertain. In this, there are perhaps some parallels between the study of remittances, and the study of aid, where one argument is that aid is most effective in promoting development in countries and regions that have better policy environments (Dollar 1999). If this parallel is of value, the immediate question that needs to be asked is what kind of changes are needed to tip the balance in poor countries or countries with uncertain economic or political environments, that would enable remittances to be put to effective use.

### Conclusions

Building on this, the policy questions on how to make remittances work for development are about *indirect* policy measures that might be taken, rather than *direct* measures to promote and channel flows of remittances. Such an emphasis can also be seen as valuable in the context of the failure of several developing countries specifically to capture a share of remittance flows in the form of taxes in order to redirect these to "socially useful ends," the limited success of training, loans, and grants to migrants to invest their remittances, and the widespread perception of government corruption and the lack of trust of officialdom among many migrants.

The emphasis of development policy is now firmly on poverty alleviation (defined in terms of a dollar-a-day poverty line), and achievement of the Millennium Development Goals, which headline objectives such as universal primary education, the reduction of infant and child mortality, and universal access to safe drinking water and adequate sanitation. In this context, there is arguably a need for analysis of the relationship between remittances and development to be more firmly rooted in a concern with how remittances impact such critical indicators, both directly and indirectly.

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## How Remittances Help Migrant Families

By Dean Yang  
University of Michigan

December 1, 2004

Millions of households in developing countries receive financial support from family members who work in wealthy countries in North America, Europe, Asia, and the Middle East. Yet, until recently, there has been surprisingly little hard evidence that shows how households benefit from such help.

New research, which focuses on households in the Philippines with relatives working overseas, has found that when migrants' economic prospects improve, they send more money home. In turn, the recipient households use these resources to make crucial investments for the future, leading to increased child schooling, reduced child labor, and greater entrepreneurial activity in migrants' source households. These findings are described in detail in Yang (2004a).

### International Labor Migration from the Philippines

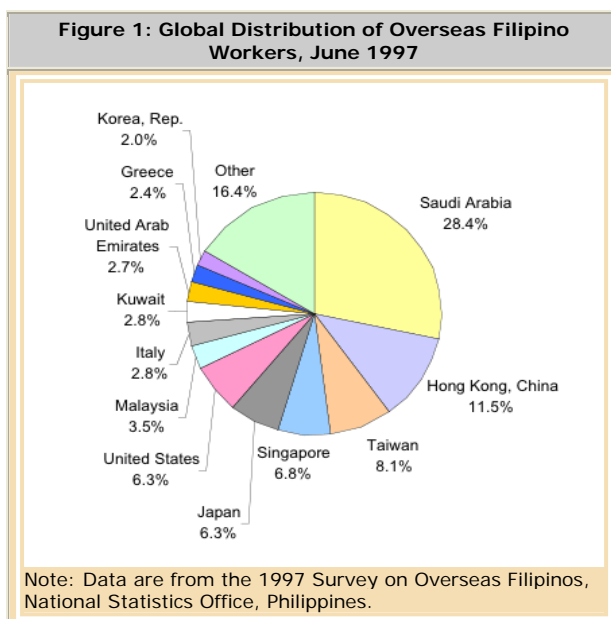
In 1974, the Philippine government initiated an "Overseas Employment Program" to place Filipino workers in overseas jobs. Encouraging emigration was one way the government could alleviate rising unemployment and bring in scarce foreign exchange. At first, the government directly managed placing workers with employers overseas, but it soon yielded this function to private recruitment agencies.

The annual number of Filipinos going overseas on officially processed work contracts rose six-fold from 36,035 to 214,590 between 1975 and 1980, and more than quadrupled again by 2002 to 891,908, according to the Philippine Yearbook 2001, a government publication. Today, the government authorizes some 1,300 private recruitment agencies to place Filipinos in overseas jobs.

Most overseas contracts are typically for two years and are usually open to renewal. For the vast majority of positions, overseas workers must go alone because they are not permitted to bring family members with them. By mid-1997, six percent of Philippine households had one or more members working overseas.

According to the dataset used in this study, Filipino workers are remarkably dispersed worldwide (see Figure 1). Saudi Arabia is the largest single destination, with 29 percent of the total, and Hong Kong comes in second with 12 percent. But no other destination accounts for more than 11 percent of the total. The only other countries accounting for six percent or more are Taiwan, Japan, Singapore, and the United States.

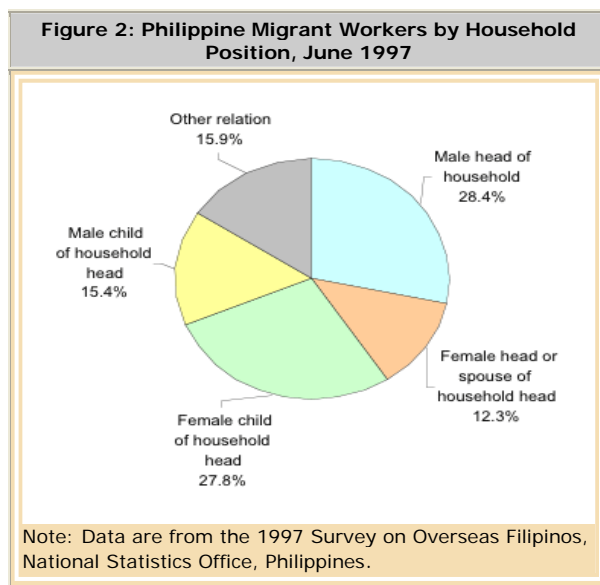
In addition to the countries in Figure 1, Filipinos are reported to be working in an additional 38 countries worldwide, including Chile, Zambia, and Papua New Guinea.



## Migration Information Source: Selected Readings on Migration and Development

On average, Filipino overseas workers are 34 years old; 38 percent are single and 53 percent are male. "Production and related workers" and "domestic servants" are the two largest occupational categories, each accounting for 31 percent of the total.

In terms of household position, the most common categories are male heads of household and daughters of the household head, each accounting for 28 percent of overseas workers; sons of household heads account for 15 percent, female household heads or spouses of household heads 12 percent, and other relations 16 percent (see Figure 2).



### Contract Work in Perspective

Formal, temporary labor migration became a large phenomenon in the post-World War II period, when European countries established "guest-worker" programs, and oil-rich Gulf states initiated massive labor importation. In the Philippines, the central role of temporary labor migration distinguishes it from other labor-sending countries.

This type of international labor flow is likely to become more and more important in coming years. Because of the potential benefits for developing countries, current WTO negotiations and other proposals have focused on liberalizing temporary labor permits for workers from developing countries.

### A Challenge for Research

Given the increasing importance of temporary labor migration from poor to rich countries, a crucial question arises: how exactly do remittances help migrants' families back home? Are resources mainly spent on food and housing, or on prestige items such as vehicles and VCRs? Or are they used in ways that will lead to long-term benefits, such as investments in education and entrepreneurial enterprises?

Discovering how migrants' economic opportunities affect their families back home is not a trivial undertaking. The main challenge researchers face is that remitting behavior differs across households and can reflect underlying differences that researchers cannot always observe.

For example, households with higher education levels should have more educated migrants. More educated migrants would have higher overseas wages, and might also send more remittances home.

In addition, highly educated parents would also be more likely to send their children to school. There would then be a positive relationship between a household's remittances and a child's schooling, but this does not necessarily mean that higher remittances cause more schooling. Rather, both are being caused by an underlying third factor: the household's general education level.

### **A Unique "Natural Experiment"**

An experimental approach to establishing the causal impact of migrant resources could start by identifying a set of households that had one or more members working overseas, assigning each migrant a hypothetical economic shock, and then examining how the size of the shock dealt to migrants affected their families back home. In this scenario, some migrants would receive a larger economic shock than others.

In fact, a real-world "natural experiment" comes close to replicating the hypothetical experiment just described: the Asian financial crisis. In late June 1997, the devaluation of the Thai baht led to speculative attacks on a number of other currencies worldwide. Many of the countries experiencing exchange rate devaluations were host to substantial numbers of overseas Filipino workers.

At the same time, the Philippine peso also depreciated substantially. For an overseas worker earning wages in a foreign currency, the depreciation of the Philippine peso was beneficial, as foreign earnings were convertible to more pesos after the depreciation.

Because migrants were located in a wide variety of countries, there was substantial variation in the size of the exchange rate shock experienced by migrants across Philippine households. Figure 3 depicts the variation in exchange rate shocks across 10 major destinations of overseas Filipino workers.

Households with migrants in the US and Middle East benefited the most from the exchange rate shocks. Between July 1997 and October 1998, the US dollar and currencies in the main Middle Eastern destinations of Filipino workers rose 50 percent in value against the Philippine peso.

In other words, where prior to the crisis US\$100 in migrant earnings would have been worth roughly 2,650 pesos, that same amount of dollar earnings was worth over 5,000 pesos on average in the year leading up to October 1998.

By contrast, Philippine households with members working in other countries did less well. Over the same time period, the currencies of Taiwan, Singapore, and Japan rose only 26 percent, 29 percent, and 32 percent, while those of Malaysia and Korea actually fell slightly (by one percent and four percent, respectively) against the peso.

By using household survey data from the Philippine government on 1,600 households with overseas members, it was possible to examine the exchange rate shocks' impact on migrant workers' origin households from July 1997 to October 1998. Usefully, the survey captured informal as well as formal remittances sent by overseas household members. In particular, the focus was on how remittances sent home changed, and on household investments in children and in entrepreneurial enterprises.

In examining the research findings, it's helpful to think of exchange rate shocks of a given size. For example, the exchange rate change for Filipino migrants in the United States versus those in Singapore, or between migrants in Taiwan versus those in Malaysia, was roughly 25 percent in the 1997-1998 period. Therefore, one way to evaluate the findings is to consider how, on average, a 25 percent improvement in the location country's exchange rate against the Philippine peso affects the household.

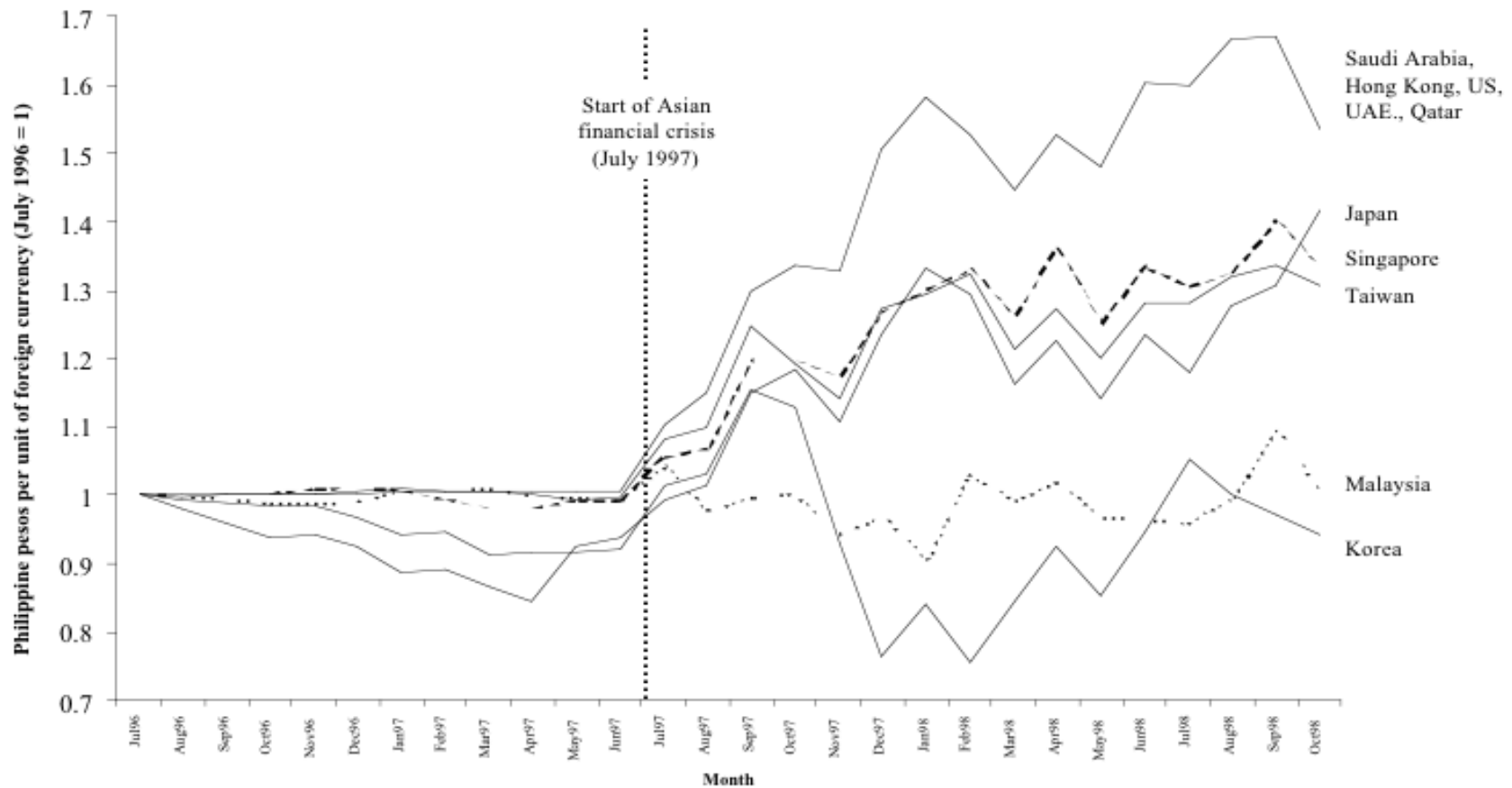
### **How Exchange Rate Shocks Affect Household Investments**

In households with an overseas worker, remittances accounted for a substantial portion of total income prior to the crisis: 40 percent, on average. When a household's migrants experienced more favorable exchange rate shocks, the household enjoyed an increase in remittance receipts.

According to estimates, a 25 percent improvement in the exchange rate faced by a household's overseas migrants led remittances to rise six percent as a share of household income. In addition, favorable exchange rate shocks raised the Philippine-peso value of migrants' overseas savings (unfortunately, savings data were not collected in this survey and could not be analyzed directly).

Positive exchange rate shocks helped recipient households fund a number of beneficial long-term investments, as described below.

**Figure 3: Exchange Rates in Selected Locations of Overseas Filipinos, July 1996 to October 1998 (Philippine pesos per unit of foreign currency, normalized to 1 in July 1996)**



NOTES-- Exchange rates are as of last day of each month. Data source is Bloomberg L.P.

<b>Outcome</b>	<b>Value prior to crisis</b>	<b>Impact of 25 percent improvement in migrant's exchange rate vs. Philippine Peso</b>
Remittances	40 percent of household income	+ 6.0 percent
Educational expenditures	5.4 percent of household income	+ 0.7 percent
Total hours worked in self-employment by household members (per week)	21.5	+ 2.5 hours
Probability of attending school (ages 10-17)		
Girls	95 percent	+ 3.3 percent
Boys	93 percent	+ 1.7 percent
Average hours worked per week (ages 10-17)		
Girls	0.64 hours	- 0.54 hours
Boys	1.53 hours	- 0.81 hours
Probability of owning:		
Television	83 percent	+ 2.4 percent
Living room set	68 percent	+ 1.5 percent
Vehicle (jeep, motorcycle, or car)	12.9 percent	+ 3.6 percent

Note: Results for girls' hours worked and for boys' schooling are not statistically significant.

#### *Investments in children*

Prior to the Asian financial crisis, a migrant's household back in the Philippines spent 5.4 percent of household income on education. A 25 percent improvement in exchange rates led to an increase in educational expenditures equivalent to 0.7 percent of household income.

Investments in children aged 10 to 17 also improved with positive exchange rate shocks, but in slightly different ways for boys and girls. The 25 percent exchange rate improvement led to a 3.3 percent increase in girls' school attendance and a 1.7 percent increase for boys, from base attendance rates of 95 percent and 93 percent, respectively.

Prior to the crisis, boys and girls aged 10 to 17 worked an average of 1.5 and 0.6 hours per week, respectively. A 25 percent exchange rate improvement decreased hours worked per week by 0.81 hours for boys, and by 0.54 hours for girls. Most of these declines in child labor were in unpaid work in a family farm or business.

#### *Entrepreneurial activity*

The exchange rate shocks also made it more likely for households to have certain types of

## Migration Information Source: Selected Readings on Migration and Development

entrepreneurial enterprises. A 25 percent exchange rate improvement raised the likelihood a household had a "transportation and communication services" or a "manufacturing" enterprise (by 1.9 and 1.5 percent, respectively).

"Transportation and communication services" include taxis and small bus services ("jeepneys"). "Manufacturing" includes small-scale operations such as mat weaving, dressmaking, and processed food making.

The exchange rate shocks also increased household hours worked in entrepreneurial activities. After the 25 percent improvement in the exchange rate, household members in the Philippines worked, on average, 2.5 hours more per week in self-employment.

### *Durable goods*

Exchange rate shocks also increased households' acquisition of durable goods. Prior to the change in exchange rates, 83 percent of households with a family member working abroad owned a television, 68 percent owned a living room furniture set, and 13 percent owned a vehicle (jeep, motorcycle, or car).

In households experiencing a 25 percent exchange rate improvement, vehicle ownership went up 3.6 percent; television and living room furniture set ownership rose 2.4 percent and 1.5 percent, respectively. The increase in vehicle ownership is likely to be related to the increase in household participation in transportation services, mentioned above.

## Conclusion

In discussions on international migration and remittances, one often hears that remittances are mainly spent on conspicuous consumption items that have few long-run benefits for households. Others claim that relatives and neighbors ask for handouts, leaving remittance recipients with little money for themselves.

New research on migrants' origin households in the Philippines finds little reason for pessimism. While resources from migration do pay for durable goods, households in the Philippines have also used these resources to make investments in education and household enterprises that are likely to improve their lives in the long run.

More broadly, this new research sheds light on how the migration policies of developed countries can affect households in poor countries. Countries that expand employment opportunities for overseas workers can stimulate human capital investment and entrepreneurship in poor-country households.

By contrast, eliminating temporary work permissions for overseas migrants could have the opposite effect. As such, this article documents a specific channel - the earnings opportunities of migrants - through which developed countries' immigration policies can help or hinder the economic development of poorer nations.

This research also demonstrates that data sets collected by national governments are useful in exploring the impact of remittances. Countries besides the Philippines conduct national household surveys that include questions on international migration and remittances. Future work could use these data sets, examining how "shocks" to migrant earnings affect remittance receipts and investment activity in migrants' origin households.

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## Latino Remittances Swell Despite US Economic Slump

By Roberto Suro  
Pew Hispanic Center

February 1, 2003

Over the past two years, while the US economy has dropped from its boom time peaks and slogged through a recession, one indicator has been on the rise: the amount of money sent home by Latino immigrants living in the United States. From 2000 to 2001, remittances to Mexico and Central America grew by 28 percent from \$10.2 billion to \$13 billion, even as the Hispanic unemployment rolls were swelling. In 2002 the money transfers reached \$14.2 billion or more, a flow of \$39 million a day. By 2005 the sum, which does not capture all remittances to Latin America, will go beyond \$18 billion, according to projections by the Pew Hispanic Center, a Washington, DC-based research and policy analysis organization.

These figures are not merely evidence of a kind of economic activity that seems resistant to the US business cycle. They also reflect the needs pressed by economic hard times in Latin America and efforts by governments in those receiving countries to smooth the flows. Moreover, they are indicators of an international financial traffic that has grown markedly in the last few years, not only in size but also in the levels of competition and efficiency. Those sums are also the monetary expression of a profound human bond between people who come to the United States to work for long hours at low wages and the families they left behind.

### From Cottage Industry to Big Business

Until recently, the money management practices of Latino immigrants in the United States aroused little attention outside their own communities. That changed as the remittance flow doubled in size during the second half of the 1990s. Although the size of the average remittance transfer is miniscule -- about \$200 -- in the world of international finance, the cumulative sums have now captured the attention of government policy makers and bankers in the United States and Latin America.

Not long ago this was a cottage industry in which cash was often hand carried across borders. In the 1990s it evolved into a traffic dominated by wire transfer services such as Western Union, and now it is becoming increasingly formalized with the introduction of electronic banking products that allow a remittance deposited in an automatic teller machine (ATM) in the United States to be retrieved almost instantly from an ATM in Latin America.

What has not changed is the population of remittance senders -- except that it continually grows larger. They are, as they long have been, mostly recent immigrants with little education and low earnings, and not much familiarity with banking systems either in the United States or in their home countries. They are, however, both the generators of wealth in this industry and the prime consumers. Their decisions about how to manage their money will decide how the remittance flow evolves.

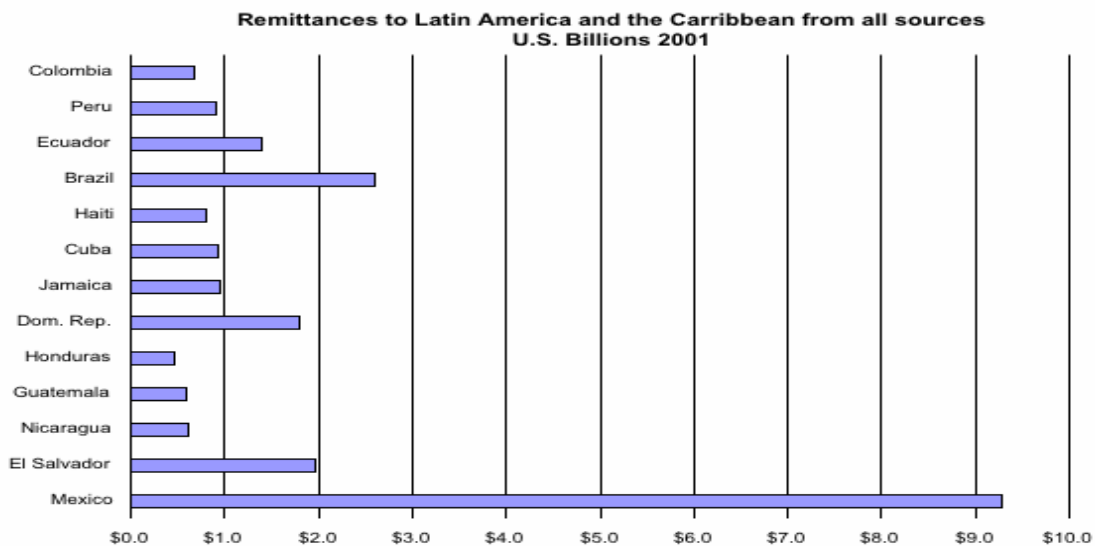
### Billions in Motion

In order to better understand how remittance senders view the rapid changes taking place in the money transfer industry, the Pew Hispanic Center and the Multilateral Investment Fund of the Inter-American Development Bank joined forces to produce a report published in November, 2002: "Billions in Motion: Latino Immigrants, Remittances and Banking." The key element of the report is an intensive study of how remitters choose the means to send money home. The report was conducted by Bendixen & Associates, a public opinion research company based in Miami that specializes in polling Latinos in the United States. Extensive interviews with 302 remittance senders in Miami and Los Angeles focused on their understanding of the costs involved and their willingness to use new methods such as the electronic transfer products that US banks are now putting on the market.

## Migration Information Source: Selected Readings on Migration and Development

Some of the key findings of the recent Pew report include:

- Remittance senders are often unaware of the full costs they are paying to send money home and make little effort to explore alternative methods. Instead, they tend to rely on word-of-mouth recommendations, familiarity, and convenience in choosing a means of transferring money even when they are concerned that they are paying high fees.
- When they become aware of innovations, remittance senders are willing to entertain new money transfer products and are not particularly wary of new technologies such as the use of ATMs for international transactions. Remitters in the United States, however, judge such products not only by how they operate on the sending end of the operation but also by the convenience, security, and reliability on the receiving end. Thus, the quality of the financial services infrastructure in Mexico and the rest of Latin America is as important as the quality of the service in the United States to the future development of this industry.
- Many remittance senders take a skeptical view of banks and other financial institutions, and these opinions are based on impressions rather than first hand-knowledge because most remitters and their families do not have any kind of bank account or credit card. Minimum balances and transaction fees are widely viewed as excessively burdensome and expensive for the services rendered. Remitters who were not lawfully admitted to the United States have faced a specific obstacle because of the requirement to present US identity documents when applying for a bank account. This situation is now rapidly changing with the growing acceptance by banks of the "matricula consular," a simple identity card issued by Mexican consulates that makes no reference to the holder's immigration status.
- If present trends continue, remittance transfers from the United States to Mexico and four Central America countries with large immigrant populations in the United States -- Nicaragua, El Salvador, Honduras, and Guatemala -- will exceed \$20 billion a year within five years. In this decade, the transfers are likely to total more than \$180 billion. These calculations are based only on the largest and most carefully monitored remittance flows to Mexico and the four Central American nations (see chart). They do not include the substantial amounts going to the Dominican Republic, Jamaica, and other nations of the Caribbean and South America with large and growing immigrant populations in the United States.
- These very large amounts of money are coming from one of the least prosperous segments of American society. Remittance senders tend to be young immigrants who have relatively little education compared to the rest of the US population and who are employed predominately as laborers for low wages.



Source: Multilateral Investment Fund

## Cashing In

This is an important moment to discuss the remittance traffic because it is experiencing rapid growth and change. The cost of sending money home from the United States has declined sharply in recent years. Research conducted by Manuel Orozco, project director for Central America of the Inter-American Dialogue, shows that, on average, transfer fees and foreign exchange charges for sending a \$200 remittance to Latin America in the summer of 2002 were \$16.32, which is a little more than half of what it was three years ago. While the cost of sending money home has declined, individuals still pay a significant portion of the total amount they remit towards various fees and charges. This is especially so once the cost of cashing a paycheck and other fees are added into the picture. By that time, the total cost of the average remittance transfer often reaches 10 or 15 percent of the amount sent.

There is every reason to believe, however, that costs could decline further. "One of the reasons that prices have remained high is a lack of competition in the money transfer business," said Sheila C. Bair, then assistant treasury secretary for financial institutions, at a multilateral investment fund regional conference earlier this year. "The industry continues to be dominated by a small number of money transmitters that generally tend to charge higher fees than banks or credit unions. By increasing competition, the price of remittances should continue to drop."

Reducing the cost to five percent of the amount remitted would free up more than \$1 billion next year for some of the poorest households in the United States, Mexico, and the Central American countries covered in the Pew Hispanic Center projections. Between now and the end of the decade, the savings could amount to some \$12 billion. It goes without saying that such a sum could change many, many lives. Whether this promise is realized depends on the interaction between financial institutions and a population of new consumers.

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*Roberto Suro is director of the Pew Hispanic Center, a Washington, DC-based research and policy analysis organization. The center is a project of the University of Southern California Annenberg School for Communication.*

## Remittances, the Rural Sector, and Policy Options in Latin America

By Manuel Orozco  
The Inter-American Dialogue

June 1, 2003

### Introduction

Development has long regarded foreign savings as key to increasing a country's capital-output ratio. In the past 30 years, significant changes in the global economy spurring migration have influenced economic and development thought.

The relationship between development and migration or the movement of people, and the resulting effects of economic ties between diasporas and home country economies (household and business sectors) are becoming more relevant for development policy.

The networks resulting from the prevailing ties of labor migration have contributed significantly to the integration of countries into the global economy. This latter point is important on various levels, including donations, investment (small and large-scale), trade, tourism, and unilateral transfers.

The mobilization of migrant (and their relatives') savings and investments at home (in the acquisition of land, property, or small businesses) are important to areas traditionally neglected by the private and public sectors. Worker remittances, and donations made by migrant associations, constitute key building blocks of economic growth and subsistence in many countries.

In short, there exist at least five "Ts" that integrate many countries in the global economy through migration (namely, transfers of remittances and grants, transportation, tourism, telecommunication and nostalgic trade). The share of these factors in national income in some cases exceeds half a country's GDP.

The current effects of migration through family remittances and other forms of migrant capital pose an important policy option linking financial opportunities in rural Latin America. Specifically, the demand for financial services by remittance receiving households intersects with micro-finance institutions and rural sector development.

### Remittances and the Rural Sector

Emigration from rural Latin America represents an obstacle in so far as those migrating are people with more skills and abilities. Although emigration affects agricultural production in a decline in the available labor force, the influx of remittances helps to compensate for the adverse effect on agricultural productivity by generating a demand for goods, which in turn has a multiplier effect on the local economy.

A significant flow of remittances go to rural areas in countries like Mexico, El Salvador, the Dominican Republic, Haiti, and Nicaragua. The top 10 remittance-receiving states in Mexico come from a combination of urban and rural settings—Guanajuato, Jalisco, Michoacán, San Luis Potosí, Guerrero, Zacatecas, el Distrito Federal, el Estado de México, Chihuahua, and Durango—and receive over two-thirds of all remittances sent to Mexico.

Moreover, remittances play a larger role in rural Mexican economies than in urban ones. In 1996, 10 percent of all rural households reported receiving remittances while less than four percent of urban households reported receiving remittances.

In El Salvador, the departments which lose the highest percentages of their populations to migration—San Vicente, Cabañas, Chalatenango, Morazán, La Unión, and Sonsonante—are the most ecologically deteriorated states, they have the lowest standards of living, and lack significant infrastructure. About 40 percent of remittances receiving households are in the rural sector.

## **Migration Information Source: Selected Readings on Migration and Development**

In Nicaragua, people predominantly migrate to the United States and Costa Rica. Four in 10 people living in Managua report having a relative abroad, against 35 percent in the Pacific region and 29 percent from North-Central Nicaragua, with predominantly rural areas. The majority of those reporting outside Managua had relatives working in Costa Rica, whereas those living in Managua had relatives predominantly migrating to the United States.

In the rural sector, a portion of remittances are utilized to purchase land. Mexican remittance recipients in mostly rural areas typically spent more money on machinery and other equipment than their counterparts in higher-density populations.

### **Savings Mobilization and Remittances**

As foreign savings, remittances are influencing not only spending but also investment behavior. A portion of remittances is saved or invested on education, health, or wealth generation. Therefore, remittances are already connected to savings mobilization in many Latin American countries.

Remittance-receiving households not only save a portion of their money, but also play an investment and insurance function. In the case of investment, immigrants send money back home with the specific purpose of procuring an investment opportunity. Immigrants buy land, materials to work the land, or seed to plant.

A recent study in Mexico showed that remittances were responsible for 27 percent of the capital invested in micro-enterprises in Mexico, and 40 percent of the capital in the major remittance-receiving areas of the country (Woodruff and Zenteno 2001).

Other studies have shown that immigrant remittances also operate as a form of insurance to protect before future uncertainties. Susan Pozo argues that when remittances continue an incremental trend, although immigrants face income risks, the money is sent home "to purchase assets" as a form of precautionary savings (Pozo and Amuedo 2002).

Pozo stresses that "older migrants, female migrants, migrants with a greater fraction of family members working for pay, migrants who came accompanied by friends/family to the United States, and migrants with greater educational attainment are more likely to remit for asset accumulation."

Remittances also have a positive effect in the rural sector when they alleviate the restrictions that limit local production due to the creation of employment.

Most of these connections are spontaneous and often occur under conditions of incomplete information for the entrepreneur about affordable lending opportunities. Within this context, micro-finance institutions and credit unions are poised to play a key role in bringing financial services to an already existing demand for economic transactions.

### **Financial Democracy**

Of significant importance for savings mobilization are credit union operations in the rural sector. One of the major constraints in development has been the lack of adequate credit to individuals in rural areas. The end result has been that the average citizen, and especially lower-income cohorts, have not had access to financial services, nor have banks relied on them to draw assets.

A recent study on Latin America's income inequality points to the deficiencies of banking institutions as a major source of inequality. "Financial markets are underdeveloped in Latin America and the blame goes beyond the region's history of inflation and financial instability. Weak institutions to support credit markets are also at fault" (IPES 1999).

Less than five percent of established small business entrepreneurs receive loans from commercial banks. Moreover, credit unions and micro-finance institutions that supply a demand for financial services to those outside the preference of commercial banks do not have a large loan portfolio. Such portfolios are one percent or less of what commercial banks hold in Latin America (IPES 1999, 164-165).

## **Migration Information Source: Selected Readings on Migration and Development**

Financial institutions have traditionally placed a high risk on lending and investing in agriculture and the rural sector. With a recurrent flow of remittances, households have posed a demand for financial services that is not supplied by commercial banks. However, local savings mobilization intersects between remittances and local development.

In the rural sector, remittances not only take longer to arrive, but recipient households spend time picking up the money in other cities, which sometimes, if not often, are one hour from the hometown. Costs thus increase for households.

One solution to this situation is the use of financial institutions already operating in the areas, such as micro-finance institutions and credit unions.

The participation of alternative financial institutions throughout remittance receiving areas, such as community banks, savings and credit cooperatives and micro-finance businesses, is critical and becomes a form of financial democracy.

These institutions provide access and outreach to lower-income communities and isolated rural areas that large commercial banks have traditionally ignored.

In the Dominican Republic, many credit union branches operate in rural areas and sectors less served by banks. Moreover, cooperatives also offer a more welcoming environment and approach for remittance recipients, as they seem to be less "formal" than banks. One example is San Jose de las Matas cooperative, which transferred half a million dollars in remittances during a 12-month period in 2001. Since using the cooperative service, many remittance recipients have themselves become members.

Because of the success in this and other cooperatives, and the existence of remittances going to the rural sector, the Association of Cooperatives in the Dominican Republic is expanding its services by providing ATMs to the cooperative network while setting up a more effective and inexpensive money transfer system than the one currently offered by remittance agencies.

In Mexico, the micro-bank in the Mixteca region in Oaxaca, Xuu Ñuu Ndavi (Money of the Poor People) was created with help from immigrants. Of the \$170,000 received in remittances after the first year of operation, the micro-bank's 168 members (83 of whom are women) accumulated \$160,000 in savings.

El Salvador's federation of credit unions, FEDECACES, has an estimated 80 percent of affiliated credit unions located outside of San Salvador. Once the cooperatives became involved in money transfers from the US, the flow of money rose to \$22 million in 2002 from less than \$2 million in 2001, with a corresponding significant increase in membership that incorporated recipients into formerly inaccessible financial services.

### **Looking Forward**

The link between remittances and development is growing stronger as multiple players connect in a broader web of relationships that move from social to financial interactions. As these interactions consolidate, the opportunities to improve the quality of life for many in rural areas expand. Governments, donors, foundations, and migrant groups must join in partnerships to further advance social change by identifying projects that add value to remittances.

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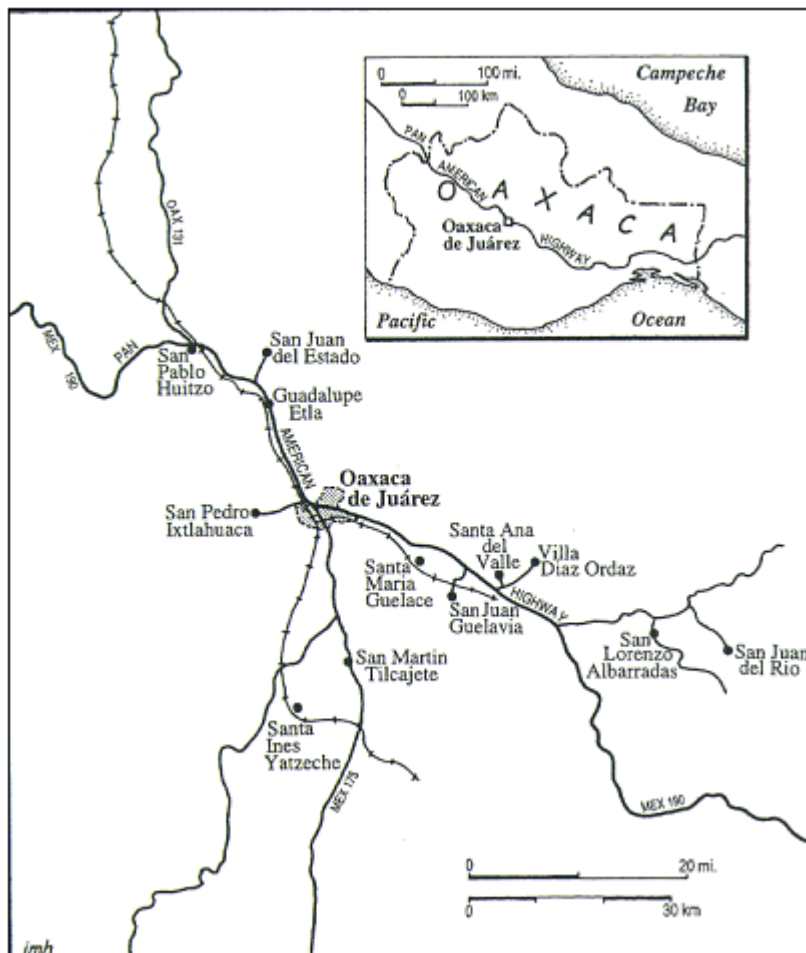
## The Oaxaca-US Connection and Remittances

By Jeffrey H. Cohen  
Pennsylvania State University

January 1, 2005

Oaxacan migration to the US is a small percentage of the overall flow of Mexican migrants. The state ranked 16th among Mexican sending states according to INEGI (Instituto Nacional de Estadísticas Geografía e Informática) estimates for the 2000 census. INEGI also estimated that 96.8 percent of the state's population of just over three million individuals above the age of five were in their natal hometowns in 1995. For those Oaxacans who migrate, 91.2 percent remained within Mexico's national borders and 8.8 percent (7,439 individuals) crossed into another country.

Contemporary migration in the central valleys of Oaxaca, Mexico, is motivated by the real and perceived needs of migrants' sending households. These needs are often economic — the household head is searching for higher-paying work, the physical household needs repairs, or the goods and services desired are unaffordable on local wages.



Most often, the decision to migrate follows one of two paths to an internal or international destination, with few households sending multiple members to both destinations. Destinations within Mexico include urban centers like Baja Mexico City, where wage work is typically available, or to the northern border and the state of Baja California, where agricultural work can be found.

Migrants who move internationally and cross the border into the US typically travel to destinations in

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southern California. According to a recent study of Oaxacan migrants, more than 96 percent chose destinations in and around southern California and Los Angeles although they may also travel to the Midwest (particularly Chicago) or the Northeast.

### History of Oaxacan Migration

Contemporary Oaxacan migration is rooted in the mid-20th century patterns of movement that characterized Mexico in general. Migrants from the central valleys left for national destinations as well as the US as early as the 1940s, and many found contract work through the Bracero Program.

After the program ended, in 1964, Oaxacans sought jobs in agricultural and service industries settling throughout California and beyond. Nevertheless, international migration from the region remained low and was of minor importance through the early 1980s. In fact, through the 1980s, internal destinations were somewhat more common among central valley movers.

International or transnational migration — circular, repeated movement between sending communities in Oaxaca and receiving communities in the US — increased rapidly through the last two decades of the 20th century, partly in response to Mexico's continued economic crises. Although Oaxacans continued to travel to internal destinations, the nation's poor economic health and Oaxaca's position as one of Mexico's poorest states effectively pushed Oaxacans across the border.

By the year 2000, Oaxacans were well represented in the migrant stream heading for the US. According to our data, on average, 46 percent of a central valley community's households included at least one migrant (see Table 1). However, Oaxacans remained a small part of the flow from Mexico, at approximately four percent of the total Mexican population living in the US.

#### The "Bracero" Program

The "Bracero" program, which lasted from 1942 to 1964, involved 4.5 million people. The program was established through formal negotiations and an agreement between the United States and Mexico for the purpose of meeting US food supply needs during World War II. The program imported agricultural workers on a seasonal basis, although in later years it also involved workers for railroad companies. At its root, however, it was an agricultural program.

**Table 1: Communities Surveyed in Oaxaca's Central Valleys**

Location	District	Kms from Oaxaca City	Population (2000)	Households surveyed	Migrant households
San Pablo Huitzo	Etla	31	5,066	41	9
San Juan del Estado	Etla	27	2,277	66	35
Guadalupe Etla	Etla	19	2,000	66	30
San Pedro Ixtlahuaca	Centro	10	3,599	50	26
Santa Maria Guelace	Tlacolula	23	753	28	12
San Juan Guelavia	Tlacolula	37	2,919	87	54
Villa de Diaz Ordaz	Tlacolula	40	5,583	61	25
San Lorenzo Albarradas	Tlacolula	68	2,542	56	17
San Juan del Rio	Tlacolula	85	1,349	47	20
Santa Ana del Valle	Tlacolula	35	2,140	54	34
Santa Ines Yatzeche	Zimatlan	40	1,175	30	17
San Martin Tilcajete	Ocotlan	23	2,776	58	30
TOTAL			32,179	644	309

Source: Cohen, *The Culture of Migration in Southern Mexico*, 2004

## Migration Information Source: Selected Readings on Migration and Development

Of the 309 migrant households surveyed, 199 of them — nearly two-thirds — have sent a family member to the US. The majority of US bound migrants from the central valleys were men (76 percent) who depend upon strong social networks, defined through kinship and friendship, to successfully negotiate their border crossings.

Oaxacan migrants settled with family or friends once in the US (87 percent lived with a relative or friend), in southern California; the Los Angeles-Santa Monica area is home to 94 percent of the central valley's migrants. Sixty-two percent found work in the region's service sector, mainly in restaurants, small businesses, and homes.

Mexican sociologist Lozano Ascencio estimated in 1993 that Oaxacans working in the US returned at least US\$55 million to their home communities in 1990, and that total has only risen through the last decade.

US-bound migrants remitted, on average, just over US\$730 every two months for an average of 6.5 years. This amount is in line with remittance patterns for Mexicans in general.

Internal movers remitted much less money, an average of US\$130 every two months over an average of eight years. US-bound women returned only about half of the total remitted by men, while women who moved internally returned 80 percent of what men remitted.

### Remittance Use

To understand migration and remittance practices in Oaxaca's central valleys, a random sample of 15 percent of households in 11 communities was selected. In total, data for 590 households was collected, of which a little less than half had direct experience with migration.

Remittances typically went to daily and household-related expenses, with 60 percent covering immediate household expenses, construction and renovation). Other expenses include education, the purchase of appliances and domestic goods, ritual costs, and health care.

Daily costs of living ranged from the purchase of food to payments for utilities (electricity, gas, and firewood). Many interviewees suggested that using remittances to cover daily expenses was a waste of hard-earned cash, but given the lack of local jobs, most argued there were few alternatives (see Table 2).

**Table 2: Remittance Use in Oaxaca's Central Valleys**

Outcome	Number of households (Total = 590)	Percent
No remittances received	60	14
Daily expenses	182	43
Home construction/renovation	71	17
Education	27	6
Purchase of domestic items	16	4
Ritual expenses	8	2
Healthcare	6	1
Purchase of agricultural/farm goods	2	-
Business start-up and expansion	27	6
Land	7	2
Other	13	3

Source: Cohen, *The Culture of Migration in Southern Mexico*, 2004.

## Migration Information Source: Selected Readings on Migration and Development

Many first-time migrants supported home construction and/or renovation, which accounted for 17 percent of the remittances returned. They often made their sojourns with the goal of building a home. Typically, this meant building a home of cement and brick, with a concrete floor and finished roof to replace cane or adobe structures with dirt floors and palm roofs.

Migrants refurbished their homes by adding second floors and building "modern" kitchens and bathrooms that replaced open fire kitchens and latrines. Standing in the center of his patio during an interview in 2001, Mario Sánchez Martínez gestured to the freshly painted rooms around him, "Look at this kitchen. We finished it with the money we saved from my time in the US. And now we have a nice bathroom with a shower too!"

### Investing Remittances

Finally, a small percentage of remittances (eight percent) went to starting or expanding businesses, the purchasing of land, or the purchasing of equipment for commercial ventures. In each case, investments were made after some of the funds were put aside for immediate needs or other expenses, and in no case did a migrant's entire remittance go directly and exclusively to support business start-ups or commercial ventures.

Migrant households about to make these types of investments included 27 households from throughout the valleys, but 75 percent were concentrated in just four communities: San Pedro Ixtlahuaca, Villa Díaz Ordaz, San Juan Guelavía, and San Juan del Estado — communities with good access to Oaxaca City and links to area market systems.

Migrant households that were able to invest remittances fell into three categories. First, there were households that invested in commercial activities focused on local business opportunities (opening small markets, beauty shops, and the like).

Second, there were households that invested in businesses tied to Oaxaca's tourism industry, mainly producing crafts. Third, there were households that invested in agriculture, animal husbandry, or dairy production.

### Looking Ahead

How remittance patterns will play out in the future is keyed not to migration outcomes, but to the continued involvement of migrants in their sending households and communities, the location of a community vis-à-vis an urban center and the local resources that village households can access.

Currently, migrants share a level of social commitment to their households and communities that is nearly identical to non-migrants. If households and local communities are to keep benefiting from their migrants, that social involvement and engagement cannot decline.

Because the majority of migrants have families (and often children) in sending communities, that social commitment should persist.

While strong ties will continue to pull Oaxacans home to rural sending villages in the central valleys, the prospects for development that would allow Oaxacans to live their lives locally and out of poverty, and most importantly without the pressure to migrate, will be in the distant future.

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## Fostering Cooperation Between Source and Destination Countries

By Susan Martin, Philip Martin, and Patrick Weil

October 1, 2002

Increasing numbers of people are working outside their home countries, often moving en masse along economic avenues widened by globalization. A complex set of factors is driving these population movements, including an oversupply of workers in countries of origin, labor needs in destination countries, and formal and informal networks that link supply with demand.

This movement of people, while often beneficial to both sending and receiving countries, is not without problems. Many of the source countries of migration to industrialized states in North America, Europe, and the Asia-Pacific region are in transition to more democratic governments, adherence to human rights norms, privatized industries, market-set prices, and integration into regional and global economies. A failure to manage migration streams either through or from source countries can undermine their economic development and democratization, thus generating additional migrants. Industrial countries, meanwhile, are hard-pressed to handle unregulated influxes of many migrants, and have much to lose when their poorer neighbors suffer political and economic ills. With so much at stake, effective cooperation to manage migration is becoming more urgent for both source and destination countries.

The Cooperative Efforts to Manage Emigration (CEME) project of the Migration Dialogue examines ways in which immigration destinations can work more effectively with source and transit countries to manage migration and reduce emigration pressures. The best practices identified to date by CEME deal with all of the main factors driving this migration, focusing on the causes of emigration in source countries, the networks that move people over borders, and managing migration in a cooperative manner that is consistent with both source and receiving countries' interests. In an increasingly interconnected world, fostering sustained cooperation of this type is essential not only in migration management, but also in building support for market economies and democratic principles.

To research the best practices in the field, CEME's 20 immigration experts from Europe and North America have completed site visits to the Federal Republic of Yugoslavia, Romania, Albania, Turkey, Mali, and the Dominican Republic. Lessons from other countries in transition, such as Mexico and Morocco, have also been considered. Best practices fall into the following areas:

### Cooperation on International Migration Management

There are a number of ways to achieve cooperation between source and receiving countries, including bilateral agreements and efforts mounted under international organizations.

As one example, Mali and France have established the Mali-France Consultation on Migration, an annual bilateral discussion at the ministerial level. In an official agreement signed in December 2000, representatives of the two countries agreed to meet at least once a year to deal with three issues: 1) the integration of Malians who want to remain in France; 2) co-management of migration flows; and 3) cooperative development in emigration areas of Mali.

The United States and Mexico also have a joint working group that discusses border issues, visa policy, documentation, cooperation in combating smuggling and trafficking, protection of the rights of Mexican migrant workers in the US, removal of criminal aliens, joint research projects, among other issues. The Regional Migration Conference, or Puebla Group, convenes similar discussions among a broader set of countries in North America, Central America, and the Caribbean.

These mechanisms are not meant to undermine the

**"No one strategy is sufficient to overcome the economic and political problems that compel international movements. Rather, a combination of trade, investment, and aid is needed."**

## **Migration Information Source: Selected Readings on Migration and Development**

sovereign responsibility of each government to manage the movements of people into or out of their countries, but instead to provide an opportunity to negotiate more manageable policies and procedures. They also enable the countries to respond jointly to such problems as smuggling and trafficking that can only be effectively tackled by efforts at the regional and bilateral levels.

One of the most significant Italian-Albanian cooperative efforts is a joint police program to combat smuggling and trafficking. Initially targeted at training and technical assistance, the Italian-Albanian cooperation on migration enforcement has undergone a shift during the past year. The Italian presence has been reduced, but the new cooperation takes the form of joint operations against smugglers. Much of this bilateral cooperation is now focused on the problem of transit migration, rather than stopping illegal Albanian migration. By some estimates, 80 percent of the migrants leaving Albania for Italy are not Albanians. The mutual interest of Italy and Albania in reducing these flows makes it easier for them to cooperate. Similar cooperation was seen in the efforts of officials of the United States and the Dominican Republic to work together to stem smuggling and trafficking of third country nationals destined for Puerto Rico and then onto the mainland of the United States.

There is also considerable interest in destination countries in helping source and transit countries to establish the systems needed to manage immigration to their own territory. With the help of international organizations, Albania is developing governmental capacity to deal with foreigners seeking asylum. The Albanian government signed the 1951 UN Convention Relating to the Status of Refugees in 1992, and began developing the appropriate domestic legislation and institutions with the aim of having asylum laws that would speed integration into the European Union.

Soon after the October 2000 ouster of the then president of Serbia, Slobodan Milosevic, the Federal Republic of Yugoslavia also felt pressure from the EU to prepare new legislation and mechanisms for adjudicating asylum applications and began a process similar to that of Albania. These interactions were not always smooth, however. Although recognized as important, the Yugoslav authorities felt the new government should place greater emphasis on demilitarizing its border police and combating the smuggling and trafficking operations that had been established under the old regime.

The governments of many source countries believe the tradeoff for such cooperation should be the expansion of legal channels for immigration as irregular movements from and through their countries are curtailed. This is an area where fewer best practices exist. Negotiations between the United States and Mexico for temporary work and regularization programs broke down after the September 11 attacks and have not yet been resuscitated. Similarly, the failure of the Italian government to announce this year's quota of labor visas for Albanians could well undermine cooperation on managing transit movements. Part of the unofficial quid pro quo - cooperation on enforcement in exchange for work visas and other assistance - was now missing.

On the other hand, France and Mali appear to have achieved some progress in this area. Traditionally, visa policies seriously restricted family reunification and visits as well as business travel and study abroad. Since 1997, France has had a new visa policy that requires French consulates to justify some denials of visas (to parents of French citizens, students, etc). France issued about 25,000 visas to Malians in 2001 compared to 7,000 in 1997. In exchange for facilitating free circulation of bona fide travelers, French authorities urged Malian authorities to cooperate in reducing corruption in the issuance of visas. In October 2001, a former sports minister was indicted and sent to jail for trafficking in visas.

### **Migrants as Resources for Development in Their Homelands**

Migrants can contribute to economic development through their financial resources as well as their skills, entrepreneurial activities, and support for democratization and human rights. For example, associations of migrants often band together to raise and remit funds for infrastructure development and income generation activities in their home communities. Migrant groups as dissimilar as Malians in France and Mexicans in the United States have supported health clinics, built schools, repaired roads, and invested in small business enterprises in their home communities.

Individual remittance transfers continue to be an important source of subsistence for many families in developing countries. Governments can cooperate to facilitate such transfers, provide technical assistance to ensure their effective use, match the funds to stimulate additional contributions, regulate transfer fees and exchange rates to reduce transaction costs, and take other steps to promote effective use of remittances for economic development.

**"Countries as diverse as Mali, Yugoslavia, and Mexico hope to build on the human capital of their émigrés."**

Governments can also work together to increase the potential for migrants to bring needed skills to their home countries. For example, migrants with long-term residence permits may be more willing to return home if they do not fear losing such permits if they stay away for prolonged periods. Programs that identify migrants with specific skills needed by their home countries and facilitate return and reintegration also contribute to economic development, as does support for return migrants who plan to open small businesses upon reintegration. The skills may be needed for economic development, but they may also be required to help move the source country towards greater democratization and respect for human rights. For example, migrants who have legal training may be helpful in developing new judicial systems and establishing the rule of law.

Countries as diverse as Mali, Yugoslavia, and Mexico hope to build on the human capital of their émigrés. For example, the TOKTEN project (Transfer Of Knowledge Through Expatriate Nationals) aims to persuade Malians established abroad to return at least temporarily and contribute to their homeland's development. Among other ways, returning Malians can do this by teaching at Mali's 25,000-student university, which was established in 1996 and then expanded rapidly. The UN Development Program has paid for 133 Malians to return as consultants to help teach and do research.

The Malian situation is particularly interesting because of the involvement of the French government in encouraging such investment in human capital. A fund of 2.6 million euros will finance in 2002-2004 the mobilization of Malians abroad for the service of the Malian education system, economy, and small business development. The skills of Malians in France will be systematically registered and the information co-managed by a French-Malian committee. The fund will supplement financing of local projects by the Malian diaspora. In addition, a contract will be signed with a Malian bank to guarantee loans to small businesses that need additional funding to expand.

France also funds an assisted return program as part of its development strategy. About 500 unauthorized Malians in France have agreed to return voluntarily in exchange for CFA 2.5 million (\$3,600). They have opened businesses, most related to agriculture, and also run hair salons, import used auto parts, sew traditional dresses, and dredge sand. They receive weekly visits for one year from the program's offices in Mali, and it was reported that 80 percent of the participants were still in business after two years. This French model helps to re-integrate migrants, but its potential for expansion may be limited. Many of the small businesses begun by returnees had difficulty obtaining bank loans for expansion, in part because they did not have Malian track records and guarantees.

The diaspora community can also help stimulate political reforms that improve conditions in home countries. Mexican migrants in the United States have been consistent forces for democratization and better governance in their home country, and Mexican political candidates have responded by campaigning extensively in US communities. The leadership in Yugoslavia expressed the hope that Serbs abroad would provide not only financial resources for rebuilding the country, but also technical expertise as Serbia establishes its new democratic institutions. International migration has helped spur the democratic reforms. Malians living in Europe and North America have also brought back home some of the lessons learned in western democracies. At a village meeting in Marena, a number of return migrants observed that they expected to participate in community meetings and decision-making.

This is not to say that the experience of the diaspora is always positive in stimulating respect for democratic values. Some returning Malian migrants appear particularly reluctant to expose Malian women and girls to western values if it means undermining cultural traditions, observing vehemently that they would never allow their wives or daughters to migrate with them to Europe or North America. In some cases, returning migrants appear to have become more socially and religiously

conservative as a result of their own migration experience.

### **Targeting Aid, Trade, and Investment at Emigration Communities**

Providing the means by which people can stay home and enjoy greater economic opportunities is another aspect of cooperative actions to manage emigration. Migration should be voluntary on the part of the migrant and the receiving community, not forced by economic or political conditions in the home community. Similarly, migrants should be able to return voluntarily to home communities that are economically stable and safe. No one strategy is sufficient to overcome the economic and political problems that compel international movements. Rather, a combination of trade, investment, and aid is needed.

Ideally, economically motivated migration will decrease under a global system of free trade because of factor price equalization, that is, the tendency of wages to equalize as workers move from poorer to richer countries. In the terms of economic theory, this means that trade and migration are substitutes--countries that have relatively cheaper labor can export labor-intensive goods *or* workers. Over time, differences in the prices of goods and the wages of workers should be reduced with freer trade, reducing emigration pressures. The European Union model for the economic integration of new members, prior to permitting free movement for work purposes, attests to the potential benefits of this approach. By the time that the new members from southern Europe with much lower wages - Spain, Portugal, and Greece - were eligible for free movement of labor, few workers took advantage of the opportunity because of high growth rates and job opportunities in their own countries. Such Asian countries as South Korea have also gone through this transition, with levels of emigration declining substantially as trade-based economic opportunities opened up at home.

The North American Free Trade Agreement also has the mid to long-term objective of reducing emigration pressures in Mexico, which has far lower wages than its trading partners, although NAFTA does not envision eventual free labor movements. There is broad recognition, however, that in the short term, emigration pressures may well increase as economies integrate and workers from poorer countries see greater opportunities in richer ones. This migration hump appears to be occurring in the Mexican case, but with continued reduction in birth rates and renewed economic growth, wage rates should begin to rise in Mexico and jobs should become more plentiful.

An economy can grow faster if there is foreign direct investment (FDI) in factories, machinery, education, and infrastructure that makes workers more productive. Foreign firms are often attracted by the lower-cost labor in countries of emigration, presumably giving workers economic opportunities at home rather than abroad. However, at least in the Italian-Romanian case, immigration and FDI appear to be complementary. At present, Italian-owned factories visited by CEME in the western Romanian city of Timisoara provide employment for local workers, particularly women, as well as internal migrants coming from the much poorer eastern Romanian province of Moldavia. The number of Romanians in Italy increased as well, from 6,000 in 1998 to 21,000 in 1999. Italian firms have pressed the Italian government to make it easier to admit Romanians, particularly for training. Recognizing the legitimate business interest in opening up this form of migration, an Italian pilot program aims to use recruitment, remittances, and returns to accelerate development in Romania and to ensure that migration is temporary or circular, i.e., that the migrants who come to Italy for training return home. A similar model can be seen in the maquiladoras along the US-Mexico border and in such cities as Guadalajara.

Official Development Assistance (ODA) is aid granted by one country to assist the development of another. In 1998, the OECD nations that are members of the Development Assistance Committee provided \$52 billion in ODA, down from \$59 billion in 1995, and \$53 billion in 1990. Four of the 21 OECD countries providing aid reached the UN target of contributing 0.7 percent of GDP in 1994 - Norway, Denmark, Sweden, and the Netherlands. OECD nations collectively provided aid equivalent to 0.3 percent of their GDP in 1993, down from 0.4 percent in 1983.

ODA alone is unlikely to stimulate sufficient economic development to deter emigration. Aside from problems caused by inadequate levels and inappropriate use of aid resources, there is the need to target aid more effectively at the causes of migration. Examples of targeted aid include micro-credit for would-be migrants who would prefer to invest in their home communities, income generation opportunities for women left behind by migrating spouses, infrastructure development to create new

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markets and economic opportunities in emigration centers, and education and health care services for families in such areas.

The French co-development approach seeks to target ODA at emigration areas in all of francophone Africa, with government support supplementing the contributions of migrants discussed above. This is a positive strategy of earmarking ODA to reduce emigration pressures, as distinct from the punitive proposal rejected by the European Union to withdraw ODA from countries that are insufficiently cooperating with destination countries, particularly regarding the return of unauthorized migrants.

### Conclusion

The factors leading to population movements are many and complex: supply or push factors in countries of origin; demand or pull factors in countries of destination; and formal and informal networks that link supply with demand. The best practices identified to date by CEME deal with all three factors, focusing on the causes of emigration in source countries, the networks that move people over borders, and the relations between receiving and source countries in managing migration in a manner that is consistent with both countries' interests.

Fostering sustained cooperation of this type is crucial not only in migration management, but also in building support for market economies and democratic principles, and will become increasingly important as the world becomes more interconnected.

*For more information, including full background papers and CEME site visit reports, see the special issue of International Migration, "Managing Emerging Migration Patterns," vol. 40, no. 3, 1/2002.*

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## Transnational Migrants: When "Home" Means More Than One Country

By Peggy Levitt

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October 1, 2004

The assumption that people will live their lives in one place, according to one set of national and cultural norms, in countries with impermeable national borders, no longer holds. Rather, in the 21st century, more and more people will belong to two or more societies at the same time. This is what many researchers refer to as transnational migration.

Transnational migrants work, pray, and express their political interests in several contexts rather than in a single nation-state. Some will put down roots in a host country, maintain strong homeland ties, and belong to religious and political movements that span the globe. These allegiances are not antithetical to one another.

Take Shrewsbury, a Boston suburb with expensive homes and neatly trimmed lawns. It seems like any other well-to-do American community. But the mailboxes at the end of those long driveways reveal a twist: almost all are labeled "Patel" or "Bhagat."

Over the past 20 years, Indian immigrants from Gujarat State have moved from villages and small towns in western India, first to rental apartment complexes in northeastern Massachusetts, and then to their own homes in subdivisions outside Boston. Watching these suburban dwellers work, attend school, and build religious congregations here, casual observers might conclude that yet another wave of immigrants has successfully joined in the pursuit of the American dream.

A closer look, however, reveals they are pursuing Gujarati dreams as well. They send money back to India to open businesses or improve family homes and farms. They work closely with religious leaders to establish Hindu groups in the United States, to strengthen religious life in their homeland, and to build a global Hindu community transcending national borders.

### Putting Transnational Migration in Perspective

Transnational migration is not new. In the early part of the 1900s, European immigrants also returned to live in their home countries or remained active in the political and economic affairs of their homelands from their posts in America.

Some things are new, however, including ease of transportation and communication, the mode in which migrants are inserted into the labor market, sending-states' increasing dependence on remittances, and the policies they put in place to encourage migrants' enduring long-distance nationalism.

Moreover, not all migrants are transnational migrants, and not all who take part in transnational practices do so all the time. Studies by sociologist Alejandro Portes and his colleagues reveal that only five to 10 percent of the Dominican, Salvadoran, and Colombian migrants surveyed in the US regularly participated in transnational economic and political activities; even occasional involvement is not universal.

Most migrants are occasional transnational activists. At some stages in their lives they are more focused on their countries of origin while at others they are more involved in their countries of reception. Similarly, they climb two different social ladders, moving up, remaining steady, or experiencing downward mobility, in various combinations, with respect to both sites.

But if few migrants engage in transnational activities on a regular basis, do their activities really merit serious attention? The answer is "yes" for several reasons.

The regular activities of a few combined with those who participate periodically add up. Together, they

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can transform the economy, culture, and everyday life of whole source-country regions. They challenge notions about gender relations, democracy, and what states should and should not do.

For example, migration has completely transformed life in the Dominican village of Miraflores. Young women no longer want to marry men who have never migrated because they want husbands who will share in the housework and take care of the children the way men who have been to the United States do.

### Transnational Migrants and Integration

Many people feel that pursuing American and home-country dreams at the same time is a recipe for disaster. In his recent book, *Who Are We?*, the American political scientist Samuel Huntington argued that the United States is headed toward its own internal "clash of civilizations" because Latinos remain behind linguistic and political walls and do not assimilate Anglo-Protestant values.

Huntington and others believe countries need newcomers to subscribe to a core set of shared values to continue to survive and thrive. If people stay active in their homelands, they say, how will these migrants contribute to the countries where they settle? In addition, dual loyalties can seem suspect, particularly after the September 11 attacks.

However, the experiences of Gujaratis and others like them in the US suggest that transnational migration is not a long-term threat to assimilation, nor does it take away from migrants' ability to contribute to and be loyal to their host country. As increasing numbers of migrants live parts of their social and economic lives across national boundaries, the question is no longer whether this is good or bad, but rather, how to ensure they are protected, represented, and that they contribute something in return.

When migrants live their lives across national borders, they challenge many long-held assumptions about membership, development, and equity. Understanding this reality requires new methodological and conceptual tools. It also requires new policy responses.

### Analytical and Conceptual Shifts

Using a transnational lens to understand migration requires letting go of methodological nationalism or the expectation that social life logically and automatically takes place within the nation-state framework. Instead, it means locating migrants within the transnational social fields in which they may or may not be embedded.

Within their various levels, social fields contain institutions, organizations, and experiences that generate categories of identity that are ascribed to or chosen by individuals or groups. Individuals can be embedded in a social field but not identify with any label or cultural politics associated with that field. Because they live within a social field, they have the potential to act or identify with it at any particular time, though not all choose to do so.

Conceptualizing the migration experience as taking place within social fields is important for several reasons. First, it moves the analysis beyond those who migrate to those who do not actually move but who are connected to migrants through the networks of social relations they sustain across borders.

One does not have to move to engage in transnational practices. Because people who stay behind are connected to migrants' social networks, they are exposed to a constant flow of economic and social remittances (or ideas, practices, and identities that migrants import) on a regular basis. Even individuals who have barely left their home villages adopt values and beliefs from afar and belong to organizations that operate transnationally.

Second, a social field perspective reveals the difference between *ways of being* in a social field and *ways of belonging*. Anthropologist Nina Glick Schiller defines ways of being as the actual social relations and practices that individuals engage in rather than the identities associated with their actions. In contrast, ways of belonging refers to practices that signal or enact identities which demonstrate a conscious connection to a particular group. For example, an individual may invest, vote, or belong to a religious community that links them to their country of origin, but he or she may

## **Migration Information Source: Selected Readings on Migration and Development**

not identify at all as belonging to a transnational group. The person is engaging in transnational ways of being but not transnational ways of belonging.

Individuals who engage in transnational ways of being and ways of belonging take part in transnational practices, but also actively identify with groups that span space. Ways of belonging combine action and an awareness of the kind of identity that action signifies.

Third, a social field perspective also emphasizes the multiple layers of transnational social fields, not only their multiple sites.

For example, a study of the religious experiences of Brazilian immigrants in Boston would map the connections between local congregations in Boston and Brazil and their ties to the national denominations operating between and across each context. This includes ties to the national Brazilian denomination, ties that the immigrant congregation develops with its US denominational counterpart, and ties that emerge between the US and Brazilian denominations at the regional and national level.

It is not enough, therefore, to look at the local-to-local connections. It is also critical to examine how these connections are integrated into vertical and horizontal systems of connection that cross borders. Rather than privileging one level over another, a transnational perspective holds these sites equally and simultaneously in conversation with each other and tries to grapple with the tension between them.

Finally, locating migrants within transnational social fields makes clear that incorporation in a new state and enduring transnational attachments are not binary opposites. Instead, it is more useful to think of the migrant experience as a kind of gauge that, while anchored, pivots between a new land and a transnational orientation.

Movement and attachment is not linear or sequential, but capable of rotating back and forth and changing direction over time. The median point on this gauge is not full incorporation but rather simultaneity of connection.

Persons change and swing one way or the other depending on the context. Rather than expecting full assimilation or full transnational connection as the ultimate goal, we expect some combination of the two. In fact, it is more likely that migrants will engage in selective transnational practices on a periodic basis. The analytical task is to explain why migrants manage the pivot in the way they do and to specify how host country incorporation and homeland ties mutually influence each other.

A transnational lens, then, is both a perspective and a variable. It departs from a different set of assumptions about social organization than those usually employed by social scientists and policymakers. It locates migrants within social fields that combine several national territories rather than expecting them to move back and forth between two impermeable nation-states, and exchange one national identity for another.

For instance, studies of the South Asian experience in the United States cannot look only at the immigrant experience in America. The American experience is also a product of what goes on in India, the United Kingdom, South Africa, and other countries where South Asian immigrants live.

The analyst begins by asking what kinds of home, host, and other-country factors are at play and then empirically studies their impact. In some cases, sending-country factors will not be important. The key, however, is that the analysis begins from a transnational, rather than a national, standpoint and then examines each case.

### **Challenges for Policymakers**

What does a transnational perspective mean for policymakers? Transnational problems demand transnational solutions, but traditional institutions and policymaking tools are not up to the task. I have highlighted here nine challenges that transnational migration poses for immigration and development-related policy.

### **1. Social categories may not be what we think**

Those who live transnationally define their class, race, and gender according to at least two cultural yardsticks. Where do people fall on the poverty line when they receive Section 8 housing vouchers in the United States while they are building a house in their home country? What about individuals who cannot afford their rent in the United States because they are too busy sending remittances? To what extent does wage labor "liberate" migrant women who are now responsible for maintaining two households at home and abroad?

These questions bring to light the need for broader frames of reference that can capture migrants' economic and social experiences in multiple places. Those seeking to solve problems facing individuals, households, and communities need to consider the transnational social field in which they are embedded.

### **2. Who is the target population?**

Transnational migration creates at least three distinct categories of experience – those who actually migrate, those who stay behind but receive support from those who migrate, and those who do not migrate and have no sources of outside support.

Clearly, those who have no outside support are the most needy. Not only do they lack access to the resources generated by migration, but they live in a cultural context where goods beyond their reach have become the norm. Households and communities become accustomed to a lifestyle they cannot sustain on their own. There are fewer incentives for sending states to pursue economic reforms with the arrival of each remittance check.

The unequal distribution of migration's rewards also creates a disjuncture between the needs of the individual and the collective. Migration might endow individuals with more money to go to school or to get health care, but it does not always bring about related improvements to the educational or health care system. This disconnect between the better-off individual and the perpetually needy collective also creates a challenge for targeting programmatic resources.

### **3. Conflicts between migrant and non-migrant interests**

Over time, migrants' and non-migrants' interests tend to diverge. Many migrants want their homeland to stay the way it was before they left. They want a place that is comfortable for visits or retirement. Who should speak for the village or the nation? How can migrant concerns be taken into account without discounting the priorities of those who remain behind? Should sending states devote resources to emigrants that could help those at home?

Another way of putting this is, whose voice should be heard? Since migrants pay for many development activities, their priorities often come first. Similarly, governments and political parties interested in courting migrants sometimes pander to their interests at the expense of those who stay behind.

### **4. Development, but at whose expense?**

Migrants make major contributions to community development. Some argue, however, that despite improved living conditions and infrastructure, such projects disproportionately burden migrants and make them responsible for functions that states should rightfully assume.

One solution is to build capacity, strengthen organizations, and increase skills so that migrants can protect their interests more effectively. Another strategy is to foster collaboration between grassroots groups so that communities work cooperatively.

### **5. The possibility of simultaneity**

A transnational perspective reveals that host-country and enduring homeland ties are not incompatible. All too often, these two loyalties are seen as opposed, if not as antagonistic to one

another. The challenge is to use the resources and skills migrants acquire in one context to address issues in the other.

For example, transnational entrepreneurs in the US are more likely to be US citizens, which suggests that being a full member in their new land helps them run more successful businesses in their countries of origin. Similarly, some Latino activists use the same organizations to promote participation in American politics that they use to mobilize people around homeland issues.

Some of the associations created to promote Dominican businesses in New York, for instance, also played a major role in securing the government's approval of dual citizenship on the island. Exploring mutually reinforcing activities and the kinds of institutional arrangements that allow them to emerge is important.

## **6. Social remittances: a potential resource?**

Social remittances are the ideas, behaviors, identities, and social capital that migrants export to their home communities. They include ideas about democracy, health, and community organization. They differ from global cultural flows in that it is possible to identify the channels through which they are disseminated and the determinants of their impact.

Social remittances are both positive and negative. While some see migrants as a force for greater democratization and accountability in the Dominican Republic, others hold them responsible for rising materialism and individualism.

Can social remittances be purposefully harnessed to improve socioeconomic indicators in both sending and receiving countries? Is there a way to disseminate certain types of information to particular target audiences? Similarly, could information about health practices be purposefully channeled to healthcare providers or educators serving migrants in the US?

## **7. What are the rights and responsibilities of transnational membership?**

Along with the benefits of dual membership come responsibilities. But the rights and responsibilities of dual belonging are not clear.

For one thing, it is not readily obvious which state takes responsibility for particular aspects of transnational migrants' lives. Where should those who live across borders get health care, pay taxes, or serve in the army? Which state assumes the primary responsibility for migrants' protection and representation? What happens when migrants are sentenced to the death penalty in their host country while such a sentence is forbidden in their country of origin? How can dual members' interests best be represented and protected? What should states expect in return?

## **8. The second generation**

A transnational approach to migration still remains controversial. While some admit that transnational activism may be important for the first generation, they predict that these ties will disappear among transnationals' children. It is unlikely that the children of immigrants will be involved in their ancestral homes in the same ways and with the same intensity as their parents.

However, since many of these children have been raised in households saturated by homeland influences, even those who express little interest in their roots have the knowledge and skills to activate these values and identities if and when they decide to do so.

For instance, the children of Mexican immigrants who travel to Mexico and return better able to understand the meaning of being Mexican in New York are exercising their membership in a transnational social field. The children of Gujaratis who go back to India to find marriage partners, or the second-generation Pakistanis who begin to study Islam and Pakistani values when they have children, are doing so as well.

At critical stages in their lives, these individuals may activate the potential contacts and identities available to them and become transnational activists. Instead of discounting the role of the second

generation, transnational strategies need to take this potential pool of participants into account.

### **9. The possibilities for pan-ethnicity**

One reason why new immigrants' interests are seldom taken into account in their host country is that they do not naturalize, vote, or make campaign contributions at the same rates as the native born. Strong minority coalitions are difficult to come by.

The relationship between transnational involvements and pan-ethnic mobilization needs further attention. If immigrant political advancement sometimes competes with participation in homeland politics, then transnational loyalties are likely to pose an even greater challenge to creating viable pan-ethnic and/or minority coalitions.

### **Conclusion**

Critics will say that if migrants earn their living in the US, their income, skills, and philanthropic efforts should remain in the US. In India or other source countries, they may argue that emigrants have no right to a political voice because they have abandoned ship and lost touch with the day-to-day realities in their former homelands. These are valid concerns. We are entering new territory. There are no easy ways to balance transnational migrants' rights and responsibilities.

Grantmakers, policymakers, and those in the field cannot balk at these questions. The challenge is to figure out how individuals who live between two cultures can best be protected and represented and what we should expect from them in return. To meet it, we need to acknowledge the interdependence between the United States and sending countries and begin to solve problems by looking outside the nation-state box.

Rather than seeing remittance flows as a drain on the US bank account, we can see them as a way to rectify years of uneven development. Rather than seeing Dominican and Colombian transnational political groups as suspect for their dual agendas, we can see them as strengthening democracy at home and fostering political integration into the United States. Instead of seeing Pakistani and Indian entrepreneurs as part of homeland brain drain, we can seek ways to turn their efforts into brain gain.

People in the 21st century will claim multiple political and religious identities, to both national and transnational groups. The critical task is to understand the way individuals and organizations actually operate across cultures, and the costs and benefits of these arrangements. It is to understand how ordinary individuals and organizations negotiate these challenges, who wins and who loses, and how they redefine the boundaries of belonging along the way.

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## Refugee Diasporas, Remittances, Development, and Conflict

By Nicholas Van Hear

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Diasporas have long been a feature of the world stage, but the acceleration of migration in the last 20 years both for economic betterment and to escape conflict and persecution – in short, to assure human security – has greatly expanded their reach and significance. Protracted conflicts and widespread human rights abuse that have generated substantial refugee flows to neighboring territories or further afield to more affluent Western states have contributed to the formation of new diaspora populations. Somalis, Sri Lankans, Afghans, Iraqis, Ghanaians, Palestinians, Congolese, and many others have fled conflict or extreme stress in their homelands, joining other co-nationals who have migrated for reasons of economic betterment, professional advancement, education, marriage or family reunification. Some of these populations are very extensively dispersed: for example, in the 1990s, asylum applications by Somalis were recorded in more than 60 countries, and a similar total was recorded for Ghanaians. A similar spread is seen among other diaspora groups dispersed by a mixture of economic, social, and political forces.

Helped by rapid and massive leaps forward in communications technology, these dispersed populations now have the capacity to exert far greater influence on their homelands than ever before. But the influence of these "new diasporas" on their homelands depends on the resources they can mobilize, and this in turn depends on where they are located. The resources that can be mustered by Afghans or Somalis in Western countries or working in oil-rich Gulf states are rather greater than those that can be generated by Afghan refugees in Pakistan or Iran, or by Somalis in Ethiopia, Djibouti, Yemen, or Kenya. There may nevertheless be important three-way connections between the diaspora in the West and the Gulf, refugees in neighboring territories of first asylum, and those left in the homeland. People, money, resources, ideas, and values circulate among these sites: between the homeland and the neighboring countries; between the neighboring countries and the wider diaspora in the West and in the Gulf; and between that wider diaspora and the homeland. This paper focuses on the movement of resources from the diaspora to the people at home.

### Refugee Remittances and Survival

One of the most important influences refugees and other migrants can have on their countries of origin is through the remittances they send. There is increasing evidence that remittances are crucial to the survival of communities in many developing countries, including many which have suffered conflict and produced refugees. Estimated to total \$100 billion in 2000, migrants' remittances represent a large proportion of world financial flows and amount to substantially more than global official development assistance. To underline their importance for the developing world, 60 percent of global remittances were thought to go to developing countries in 2000.

It is very difficult to estimate the extent to which refugees contribute to these global flows of money. First, the data on remittances generally are very patchy, and for countries in conflict and which produce refugees even more so, since data collection in such countries is generally very difficult. Second, such data as exist do not allow the contribution of refugees to be disaggregated from that of other migrants. Third, refugees in richer countries may remit both to the homeland and to neighboring countries of first asylum to support their relatives, making their contribution more diffuse than that of other migrants.

Nevertheless, remittances from the diaspora can help individuals and families to survive during conflict and to rebuild afterwards. The limited evidence available suggests that these transfers are used in ways similar to those sent by economic migrants to people at home in more stable societies: for daily subsistence needs, health care, housing, and sometimes education. Paying off debt may also be prominent, especially when there have been substantial outlays to send asylum migrants abroad, or when assets have been destroyed, sold off, or lost during conflict. Expatriates may also fund the flight abroad of other vulnerable family members; this may not necessarily involve transfers of money home, but rather payments for tickets, to migration agents, for documents, for accommodation, and to meet other costs incurred during and after travel.

### **Downside of Refugee Remittances**

Other aspects of remittance transfers attenuate their beneficial influence on the countries from which refugees come. First, the distribution of remittances is uneven: not all households receive them. Like remittances from economic migrants, transfers from refugees in the wider diaspora are selective in their benefits, because such refugees tend to come from the better-off households among those displaced and to send money to those better-off households. Furthermore, the distribution is likely to have become still more skewed in recent years because of the rising costs associated with migration: long distance, intercontinental mobility is increasingly the preserve of those who can afford to pay migration agents' inflated fees.

But perhaps the most serious charge is that remittances and other transfers from refugees and others in the diaspora may help perpetuate conflict by providing support for warring parties. This negative view of diasporas, and by implication refugees within them, particularly those better-off in the West, has been advanced by several writers on the "new wars" that have blighted many parts of the developing world in the 1990s. On the whole it is the wealthier members of the wider diaspora who are the sources of the resources and connections that fuel conflict, just as they are also the sources of relief and welfare for those at home.

### **Return to Post-conflict Societies**

While refugees can make substantial contributions to the homeland while in diaspora, the return of refugees can be a substantial force for development and reconstruction of the home country, not least in terms of the financial, human, and social capital they may bring home with them.

Governments of countries producing refugees have traditionally been suspicious of the loyalties of those who flee, for obvious reasons. However, governments of countries emerging from conflict are now increasingly coming to appreciate the potential that refugee diasporas hold, particularly in terms of the remittances they can send. The Eritrean government was among the first to recognize this potential. After initial disappointment that Eritreans in the wider diaspora had decided not to return after independence, the government turned its attention to mobilizing their potential. Since independence, Eritreans in the wider diaspora have been asked by the government to pay two percent of their income to the state, as a "healing tax;" during the recent conflict with Ethiopia even greater demands were made of the diaspora, and their contributions paid for much of the conflict's costs. More recently, the Afghan government has made similar overtures to the Afghan diaspora. Opening a seminar on trade and investment in July 2002, President Hamid Karzai appealed to Afghans who were investing in other countries to invest rather in Afghanistan.

But mass return presents the dilemma that the flow of remittances and investment to the home country will dwindle. If the resolution of conflict is accompanied by large-scale repatriation, the source of remittances will obviously diminish, raising potential perhaps for instability and further conflict. There may even be an argument against repatriation on these grounds. Such was the thrust of a series of appeals in the 1990s by the government of El Salvador for the US authorities to refrain from repatriating Salvadorans whose temporary protection in the US was imminently expiring.

Such cases highlight potentially damaging consequences for countries of origin if refugees are repatriated en masse. The consequences include the possibility that a diminution of remittances may lead to hardship, instability, socio-economic or political upheaval, and even the resumption or provocation of conflict – and then quite likely renewed out-migration. Repatriation of refugees may therefore imperil the very economic and political security – in broader terms the human security – that the international community claims to want to foster. It follows that policies that purport to be oriented to migrants' countries of origin cannot afford to exclude those abroad, especially refugees hosted by relatively affluent countries.

### **Conclusion: Encouraging Mutually Supportive Aid and Migration Policies**

Diasporas and development are linked in many ways, such as through the livelihood and survival strategies of individuals, households, and communities; through large and often well-targeted remittances; and through investments and advocacy by migrants and refugees in diaspora.

## Migration Information Source: Selected Readings on Migration and Development

Until recently, migration and development have formed separate policy fields, marked by differing approaches that hinder coordination and cooperation. For migration authorities in destination countries, the control of migration flows is the highest priority. By contrast, development agencies may fear that their objectives will be jeopardized if migration control is paramount. Can long-term goals for poverty reduction be achieved if short-term migration policy interests are to be met? Can partnership with developing countries be real if containing further migration is the principal migration policy goal?

While there may be good reasons to keep some policies separate, conflicting policies are costly and counter-productive. There is much potential in mutually supportive policies — in constructive activities and interventions that are common to both fields and which may have positive effects on poverty reduction, development, and prevention of violent conflicts. To fulfil this potential, diasporas should be acknowledged as a development resource, and mutually supportive aid and migration policies should be encouraged. In particular, aid policies could take greater account of the impact of migrants' remittances, so as to foster complementary roles for the two kinds of flows to developing countries. The international migration and asylum regime could be made more supportive of these ends. This would involve:

- maintaining flexible asylum and resettlement policies that relieve pressure on poor first asylum countries hosting refugees
- allocating temporary work permits to workers from poor countries both to meet labor shortages in developed countries and to enhance remittances to their homelands
- ensuring sensitive recruitment of highly skilled workers to avoid depleting developing countries of human capital
- introducing dual or flexible citizenship to allow migrants to return to home countries without prejudicing their right to stay in host countries

These measures should be taken in consultation with migrant-sending states rather than unilaterally. Steps could also be taken to "multilateralize" the discussion on migration, in order to develop an international migration regime that is comparable to the multilateral arrangements on trade and investment. The field of international migration might then have a better defined constituency with the possibility of developing greater consensus than is currently the case.

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## Skilled Migration Abroad or Human Capital Flight?

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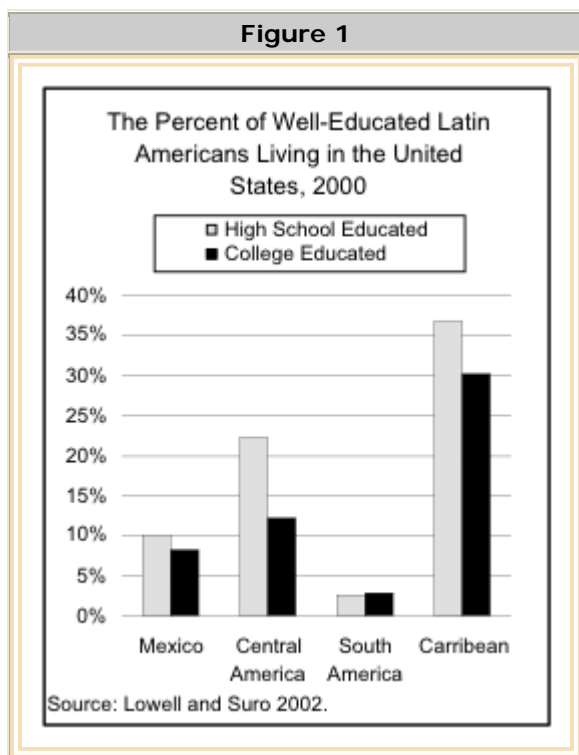
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Does the international flow of highly skilled migrants connect and spark the circuits of an interconnected global economy, or does the flow transfer scarce human capital from the poor world to the rich? Not since the 1970s has concern about "brain drain" been as prominent, doubtless due to the increasing numbers of highly skilled migrants now on the move. The "New Economy" of the 1990s brought the issue to the fore as the developed world competed for workers in information technology and communications from the developing world.

Two conditions are necessary for the term "brain drain" to apply to a given country. First, there must be a significant loss of the highly educated population. Second, adverse economic consequences must follow. A detailed examination of these conditions reveals that while the direct impact of significant outflows of human capital will likely have a negative effect on economic growth, feedback effects may actually stimulate economic growth.

### Skilled Migration in the Western Hemisphere

There are few current estimates of how many of the world's international migrants are highly educated. We do know that in the Western Hemisphere, most highly skilled migrants go to the United States, the world's single largest magnet for skilled migrants. We also know that there are relatively few highly educated people in developing countries, and that the highly educated are very likely to migrate.



Data are presented here for Latin America, Central America, and the Caribbean (Lowell and Suro 2002). Only about one-fifth of Latin Americans have completed high school or some college. But looking at those who have migrated we find that, on average, a little over half of Latino immigrants in the United States have a secondary education or better. This is true for 85 percent of South Americans, two-thirds of Caribbean immigrants, one-third of Central Americans, and just over one-quarter of Mexicans. Well-educated Latin Americans are at least two and a half times more likely to be in the United States than the home-country population.

What are the demographic impacts, however, on the sending countries? While it is true that large numbers of less-educated Latino immigrants are in the United States, they are a small fraction of those in the sending countries who could potentially migrate. At the low end of the educational spectrum, less than six percent of Latin Americans with a primary education or less live in the United States. At the upper ends of the spectrum the loss of Latin Americans can be rather large. As indicated in Figure 1, a large number of immigrants in the US completed their education in their home country. While the sending country has financed their education, it ultimately forgoes its investments and other returns on migrant talents.

The Caribbean has the greatest share of its well-educated population living in the United States. Roughly one-third of the Caribbean's secondary, as well as its college-educated population, live

abroad. Countries with the largest impact in the hemisphere are Jamaica and Haiti, which have two-thirds of just their college-educated population living in the United States. In contrast, South Americans in the United States represent less than three percent of the southern continent's highly educated population. There are relatively few South Americans in the United States, so they do not make up a significant share of the sending population. The losses of well-educated Mexicans and Central Americans fall in between. For unknown reasons, particularly large shares of Central Americans with a secondary education are found in the United States—about two-fifths of Salvadorans and a little over a third of Nicaraguans.

While the more dramatic of these figures do not establish clearly that a brain drain exists from developing countries in the Western Hemisphere to the United States, they should give pause. The first necessary condition for a brain drain, after all, is a significant loss of the highly educated population.

### Economic Research on Development

The second necessary condition for "brain drain" is that adverse economic consequences follow. A useful way to think about the research is to consider direct impacts and indirect impacts (feedback effects).

The direct economic impacts are likely adverse. Neo-classical economists concluded in the 1970s that a loss of skilled workers would retard national growth. Recent research drawing on "new or endogenous growth" theory adds the common sense observation that human capital, an educated workforce, is one of a country's most valuable assets. One study found that a one-year increase in the average education of a nation's workforce increases the output per worker by between five and 15 percent (see Barro and Sala-i-Martin 1995). Low levels of education slow economic growth, the studies argue, damage the earnings of low-skilled workers, and increase poverty.

There are also, however, positive indirect impacts (Lowell and Findlay 2002). "Optimal brain drain" theory finds some support for the notion that the possibility of emigration for higher wages induces more students in the sending country to pursue higher education. Many end up staying and improving the country's educational profile. Feedback from expatriates includes today's more than \$32 billion in remittances sent to Latin America (Agencia EFE 2003), a figure often larger than US aid or foreign direct investment. In a shrinking global village, expatriates also keep their social and professional networks, stimulating a reverse flow of innovations and technological capacity. And many expatriates do return home with valuable experience and networks. Indeed, return migration may provide optimal returns to both sending and receiving countries.

It is impossible to summarize the available research and reach a single conclusion. The best we can say is that the direct impact of an outflow of human capital, just like monetary capital flight, will likely adversely affect economic growth. However, the strength of feedback effects must be evaluated, as they can generate positive economic growth. In fact, the accompanying typology (see text box) of skilled emigration illustrates the range of possible effects that complicates further the simple classifications of direct and indirect impacts.

Types of Brain Mobility
<p><b>High Skilled Mobility.</b> Movement of highly trained persons, typically the college educated, but also secondary educated.</p>
<p><b>Brain Drain.</b> Occurs with significant losses of the highly skilled and few offsetting economic feedbacks.</p>
<p><b>Optimal Brain Drain.</b> Possible emigration can stimulate students in sending countries to pursue higher education.</p>
<p><b>Brain Waste.</b> Highly trained workers may be underemployed in either the sending or receiving country.</p>
<p><b>Brain Circulation.</b> A significant rate of return migration brings valuable skills and connections.</p>
<p><b>Brain Exchange.</b> The loss of skilled native-born workers is offset by an inflow of foreign workers.</p>
<p><b>Brain Globalization.</b> Some level of skilled mobility is needed to participate in the global economy.</p>
<p><b>Brain Export.</b> A strategy to educate and export highly skilled workers in order to reap economic feedbacks.</p>

## Concluding Observations

While definite conclusions are still waiting on more solid data, concerned observers will not shrug off the renewed discussion of brain drain.

Although the Western Hemisphere may have some of the world's greatest brain drain, there are large outflows from Africa and elsewhere, too (Lowell and Findlay 2002). The magnitude of the educational losses, coupled with the realistic theoretic and empirical evaluation of economic impacts, make adverse brain drain all too likely a reality for some developing nations. Arguably, from a sociological perspective, one would also want to factor in adverse social and political consequences of losing a scarce and potentially influential pool of talent. The ramifications may extend beyond the economic realm.

It is also quite possible for a nation to benefit economically from its skilled emigrants in general, but to experience significant losses in other fields, e.g., its artistic endeavors or scientific advances. Compared to the rich countries, the developing world has little in the way of investment in science, and its density of science workers is 10 to 30 times smaller—what United Nations Secretary General Kofi Annan calls the "two worlds of science." The challenge is convincing policymakers to take the issue seriously and to implement immigration policies and multilateral agreements that optimize the flow of skilled migrants. Research must be ongoing, but it must also entertain a variety of outcomes and be willing to delve into sub-sectors of the political economy.

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## Circular Migration: Keeping Development Rolling?

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Global international migration has undergone a transformation in the last decade and one of the main elements in this has been the substantial increase in non-permanent, circular migration between nations. Such mobility, of course, has a long history. In the contemporary world, however, international circular migration is occurring on an unprecedentedly large scale, involving a greater cross-section of groups and taking a wider variety of forms than ever before. This change has produced a number of challenges to both policymakers and researchers.

### Beyond the Permanent Settlement Paradigm

From a research perspective, we have to confront the situation that the bulk of our international migration data collection, much of our empirical knowledge and theory is anchored in a permanent settlement migration paradigm. We need to rethink our data collection systems regarding migration flows that often have failed to capture non-permanent migrations, or limit the amount of detail sought regarding them, compared with avowedly permanent moves. Most conventional collections of information regarding stocks of migrants such as population censuses either exclude temporary residents altogether, or if they collect information from them, it is not processed or tabulated.

Perhaps more importantly, our main research efforts have focused on permanent settlers. The welcome development of longitudinal surveys in the United States, Canada, New Zealand, and Australia focus entirely on permanent settlers. These surveys are to be major elements, not only in immigration research, but also in informing policy development in the major immigration nations. Similarly, research in destination nations on migrant integration, impacts on labor and housing markets, effects on the economy, social and cultural effects etc. almost all focus on permanent settlers. Little is known about these issues as they relate to temporary residents.

Yet the numbers of temporary residents are significant and their effects also undoubtedly are important. In Australia, for example, in 2001 there were 88,900 incoming permanent settlers but a total of 340,200 foreigners were granted temporary residence permits of up to four years. On June 30, 2001 there was a resident population in Australia of 19,413,200 but also an estimated 554,200 people in Australia on a temporary basis, of whom 289,300 had the right to work. Little is known about who these people are and what their economic, social, demographic, and cultural effects are on Australia. New research asking different questions of different people is required. The findings of much of the existing research based on permanent settlement are not relevant.

### Immigration Intentions: Permanent or Temporary

A second issue relates to the need to reassess the prevailing mindset regarding temporary migrants in destination countries. This is summarized in the oft-repeated phrase that "there is nothing so permanent as a temporary migrant." This arose largely out of the experience of postwar Europe when several countries opted to cope with labor shortages by importing temporary guestworkers, but these groups developed substantial permanent communities. To what extent in the contemporary situation is temporary migration a prelude to permanent settlement? There is some evidence that this may be less the case than in the past for the following reasons:

- Modern forms of transport and communication have greatly reduced the friction of distance between origin and destination countries. This has meant that migrants are able to maintain closer and more intimate linkages with their home area than ever before. Cheapening the cost of phone calls, the introduction of email and fax, and the cheapening and speeding up of international travel have not only made it possible for migrants to interact in real time with their home country on a regular basis, but also to visit home more frequently in emergencies and for breaks. The pressure to bring entire families to the destination is not as great.

## Migration Information Source: Selected Readings on Migration and Development

- Migrants in the contemporary situation can obtain the best of both worlds in that they can earn in high income, high cost destinations and spend in low-income, low-cost origins. Furthermore, they can maintain valued traditions, family ties etc. in the origin country by keeping their family there, remaining citizens of that country, and making frequent visits.

It is not necessarily the case that migrant workers always desire to settle in destination countries but that highly restrictive policies and barriers to entry push them into settlement. It could be argued that temporary migrants are less likely to move into destination countries with a long-term aim of settling in that country than was the case previously. Hence it may be that destination countries should be less concerned about virtually all temporary migration turning into permanent settlement than was the case previously. However, we lack the detailed knowledge of temporary migrants to be definite about this.

### Facilitating Circular Migration

One issue arising here is that if destination countries develop policies and programs which both facilitate and encourage migrant workers to interact with their home country, this may lessen the pressure for those migrant workers to bring their family to, and settle in, the destination. Reduction of the difficulty and transaction costs associated with sending remittances, easing the availability of re-entry visas for migrant workers etc. are all things that may facilitate circular rather than permanent migration.

In the Peninsular Malaysian context, it is interesting to compare the situation on the northern and southern borders. In the north there is a longstanding pattern of circular migration of Thais across the border to work in Malaysia facilitated by a local regime, whereby such movement is not inhibited by officials. There is little permanent settlement of Thais in northern Malaysia. On the other hand, there are increasing restrictions on Indonesians seeking to work in Malaysia, so once they get in there is a greater tendency to seek to settle permanently. While the distance between home and work is not very great, their migration is necessarily undocumented, so visiting home is expensive and there is a danger of being detected. Hence return visits are infrequent and migrants may have opted to bring their families to Malaysia. A policy that facilitates home visits, the sending of remittances, maintenance of telephone contact etc. will certainly reduce the pressure for permanent settlement. It needs to be recognized that the modern global communication and transport regimes facilitate people working in one country for a substantial period and remaining permanent citizens of their home country in a way that was not possible a decade ago, let alone in the 1950s and 1960s, when much of the fear of "permanent" temporary migrant workers was generated.

This does not mean, of course, that temporary migration cannot be the prelude to permanent settlement in a destination. Indeed, for some migrants, temporary entry may still be the consciously planned initial stage of an intended relocation. There is some evidence that some student migration may in fact fit into that category, especially now that some nations may be giving preference to foreign graduates of their own institutions in settler selection. What better way to ensure that migrants are able to be readily accepted into local labor markets?

This may also be the case with temporary entrants under the temporary business categories now common in Euro-American countries. In such countries, the temporary migration system can be used as an element in the selection of permanent settlers. People who have been in the country for several years and have shown they can be absorbed into the labor market and integrate in other ways may prove good candidates for permanent settlement. Initial entrance as a temporary migrant can often be easier than obtaining permanent residence, so such entrance may be a conscious first step to permanent migration.

One process which has encouraged circular international labor migration in the Indonesian context has been labor market segmentation. In destination areas, such as Malaysia, whole sectors of the economy have been eschewed by local workers because of the low status, low wages, poor conditions and "dirty," menial nature of the work as average income and education levels have improved. Hence plantation labor, forestry, construction, and domestic labor have become the preserve of international contract labor – much of it from Indonesia. Their low labor costs enable the plantation and forestry industries to remain export-competitive. Sectors of the Malaysian economy have become dependent on foreign labor, much of it undocumented. These sectors have adapted to the circularity of the

movement, with many workers allowed to arrange their own replacements from their home areas when they decide to return home to Indonesia permanently or make a visit in a form of "relay" migration.

### **Defining a National Population**

In Australia there is increased circularity not just in immigration. There has been an acceleration of emigration of Australian residents, with official estimates of the national diaspora being 900,000 (from a national population of 19.7 million). Survey research indicates that more than half of these Australians have definite intentions to return to Australia and only 15 percent have definite intentions not to return. It raises the question of how one defines a national population. Conventionally, national populations have been defined by censuses as people enumerated within national boundaries on census night and any household member who happens to be away temporarily on that night.

Increasingly, in a globalizing world a greater proportion of a nation's citizens will be living on a long-term or more-or-less permanent basis in another country and hence will not be included in censuses. Yet, often they retain their citizenship (dual or single), consider themselves expatriates, still maintain important linkages with their home nation, and may intend to return to it. They often are selectively high-earning and highly skilled.

There are substantial challenges here for census takers and demographers. How should one define national populations when significant proportions of citizens are based overseas at any one time? Are there ways in which national diasporas can be useful to the home nation? Should there be policies and programs to encourage the return of expatriates? Are expatriates with skills more prone to return at particular stages of the life cycle, such as in the early stages of family formation?

### **'Brain Drain' Concerns**

The globalization of labor markets has opened up much more opportunity for brain drain migration to impact on Less Developed Countries. High level skills are in great demand and More Developed Countries have reduced the barriers to immigration of these groups on both a permanent and temporary basis while strengthening the barriers against the semi-skilled and unskilled. However, our knowledge of the impacts of this migration on origin countries is limited. Certainly, there would seem to be benefits to countries experiencing "brain circulation" with a constant stream of newcomers bringing new ideas, approaches, and networks with them. What of the impacts on countries that are experiencing a substantial net outflow of talent? Again, we lack a solid empirical base and it is easy to point to a brain drain leading to reduction of the possibility of economic and social development at home.

While these negative impacts undoubtedly occur, there are some cases where such moves can have a beneficial result for the origin country, such as:

- Where there is insufficient capacity in the origin economy to productively absorb and use the migrants' skills.
- Where the inflow of remittances outweighs what the migrant would have contributed.
- Where there is significant return migration of the migrants with enhanced skills and capacities.
- Where the migrants forge productive economic linkages with the home country such as directing investment, providing beachheads for production from the home country etc.

The World Bank has called for More Developed Countries that recruit skilled migrants from Less Developed Countries to pay a levy to the latter to compensate for the investment in human capital made by the origin nations. There certainly needs to be a more sophisticated analysis made of the efforts of the "brain drain" phenomenon.

### **Scale and Effect of Remittances**

There has been a substantial shift in the interpretation of the scale and effects of remittances which, until relatively recently, had been dismissed as relatively trivial in amount spent purely on consumption, and having little positive developmental effect. This interpretation is changing, but we

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still know relatively little about this important phenomenon. It is now recognized that although perhaps more than half of the remittances go unrecorded they constitute one of the world's most substantial financial flows. In several countries of Asia, they are larger than the earnings from any single community export and are recognized to have important impacts on family, community, regional, and even national economies. There is still little known about the impacts of remittances, but in Indonesia it is apparent that effects on local economies have been underestimated because the second and third-round effects of consumption spending are not accounted for.

Moreover, research is indicating that the development-based spending of remittances has been understated in the past. Often, too, migrants are drawn from the poorest, most marginal areas in origin countries and remittances are magnified in their effects because they are concentrated in those areas. Problems remain, however, because of a lack of reliable and fair channels for remittances in some countries.

The institution of an organization to monitor international flows of money following September 11, 2001 in order to choke off channels to terrorist groups may have had detrimental effects on some remittance flows. Remittances must be better measured and recognized as a substantial redistribution of wealth from origin to destination countries, and as such, more integrated into development strategies.

### **Role of Women**

There has been a substantial increase in the involvement of women in international circular labor migration. This is evident in the increasing numbers of women moving as international students and being recruited into high-level, high-skill managerial, executive, and professional jobs. In Indonesia, however, the greatest involvement of women is in the lower end of the labor market. There is a greater degree of labor market segmentation among women than is the case for men in these types of jobs. Thus, women are concentrated in jobs which are seen as areas where they have greater aptitude like domestic labor, factory work involving dextrous use of fingers, the entertainment and international sex industries etc. Not only does this involve highly questionable gender stereotyping, it is the case that many of these segments of the labor market are areas that are least influenced by labor regulations and where the opportunities for, and the record of, exploitation is large.

Despite this, both supply and demand factors seem to be working toward a considerable expansion of this type of movement. On the supply side in Indonesia, for example, the number of young women seeking to go abroad to work as domestics is increasing exponentially. This is despite the fact that there are daily media stories of exploitation, and the fact that for many ethnic groups, there are traditional sanctions on young women travelling independently without close male relatives.

Changing levels of education, breaking down traditional extended family systems and patriarchal power structures are undoubtedly influential, but there is a strong cumulative causation element in operation. Once a flow of women from a community begins, it becomes normal for young women to seek to go away to work. This was especially the case after the 1997 onset of the Asian financial crisis, when many lost their urban-based jobs and working abroad was seen as a way to maintain the family's well-being.

On the demand side, the development in the Middle East, but also in the high-growth Asian economies, has created a huge demand for domestics at a time when local women are not at all interested in going into this type of work. Moreover, there have been institutions developed to recruit, train, send, and place these workers, and they will seek to perpetuate the movement. Attempts to ban this type of movement in countries like the Philippines and Indonesia in response to abuse of their domestic workers has simply driven the trade more into the undocumented migration area (where it is already significant) so that the women simply become more vulnerable to exploitation. The outlook, then, is that this type of movement will not only continue, but also expand.

Policy and program intervention should not go into the introduction of bans, but more into the development of a range of innovative interventions which operate through a range of agencies, formal and informal, and which provide protection for the women involved. Moreover, more effort needs to go into providing accurate information to potential women migrant workers, so that their decision on whether or not to move is made in the light of full information about the costs and benefits.

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Furthermore, they need to receive effective training that not only familiarizes them with the tasks, appliances, and conditions of their work, but also empowers them with workable strategies to use when confronted with problems. Finally, systems need to be put in place that allow the women to seek and obtain help in the destination state if they are faced with a problem.

### Undocumented Flows

Another issue relating to circulation is linked to the prominent question of undocumented migration. Such movement has proliferated in response to barriers erected to immigration. Indonesian undocumented immigration has been substantial for decades but in recent times there has been a stepping up of policing of the movement at high cost to both the Malaysian government and the migrants intercepted. The undocumented migrants face considerable human costs associated with attempts to evade detection, including periodic mass drownings in overcrowded boats run by people smugglers. Despite the stepping up of policing efforts to control such movement, it would seem that such flows will continue to increase for the following reasons:

- The gradient of demographic and economic inequalities between countries shows no signs of diminishing and will continue to drive population mobility.
- The immigration industry is developing exponentially and will continue to facilitate and encourage mobility.
- Migration networks continue to spread, which will mean more of the world's population will have social capital in potential destination nations in the form of family and friends who will assist their migration to, and adjustment in, the destination.

Organized crime is increasingly involved in this movement, especially in the most pernicious people-smuggling/trafficking rackets and efforts to combat it are increasingly needed. However, it is important to realize that many of the people involved in the undocumented migration industry are very small-scale entrepreneurs. There is a real problem in this area, because policing efforts often end up "blaming the victim" and not impinging on the upper-level criminal elements who are involved in the most exploitative dimension of undocumented movement.

### Emerging Health Issues

The current issue of the spread of Severe Acute Respiratory Syndrome (SARS) has drawn attention to the linkages between circular international migration and health. These associations can come through the movers coming to a new environment where they do not have the area natives' resistance to local diseases. Similarly, some migrant workers are exposed to the risk of illness through having to live in marginal situations. However, most attention has been directed to circulators as carriers of disease from their origins to new destinations. While this is an issue, it has frequently led to migrant workers being scapegoated as the "cause" of disease at the destination.

For example, Indonesian migrant workers in Malaysia have been vilified in the media as the main spreaders of several diseases including HIV, but medical checks have indicated a low incidence of the disease among them. Migrant workers may be placed in situations where they are vulnerable to contracting the HIV infection. Often they are young, move without partners, are isolated and lonely, have cash, and are free from traditional sanctions, which may lead them into using the commercial sex industry or taking drugs. In either case, they are at elevated risk of contracting HIV and taking it with them back to their home area and on to other work destinations. Moreover, in many cases prostitutes are also international circulators who also are at elevated risk of contracting the disease and spreading it.

We need to be very careful, however, in interpretation here, since migrants per se are not any more prone to disease than non-migrants – they simply often are placed in vulnerable situations. There is a danger that incorrect stereotypes, stigmatization, and scapegoating may be strengthened. On the other hand, the role of mobility in the spread of diseases such as HIV needs to be fully acknowledged so that relevant information and preventative programs can be developed and targeted.

### International Circulation of Labor

In conclusion, several conditions in the contemporary world are highly conducive to the international circulation of labor, both skilled and unskilled. The development of transportation has meant that the money and time costs of travel have been dramatically reduced, which will not only facilitate the international "journey to work," but also enable migrant workers to readily return to their home nation in an emergency and for frequent visits. The intimacy of contact with the family based in the home nation are enhanced by the cheapening of international telephoning, emailing, and faxing. All this is at a time when demographic and economic differences between nations are widening, especially between the so-called "labor surplus" and 'labor shortage' nations.

Many labor markets have been transformed from being national to international, and labor market segmentation has produced situations in some countries where native workers have totally shunned some types of jobs and they have become the preserve of foreign workers (many of them circulators). Hence there have been strengthening gradients between potential origin and destination countries. Moreover, migration along these gradients has been greatly facilitated by the development of a large and all-pervading immigration industry and by the bifurcation and strengthening of social networks linking origin countries with communities of expatriates in destination countries.

This has resulted in a steady flow of information back to potential movers in origin areas, which has reduced the perception of risk among potential movers, as has the knowledge that these communities at the destination will assist them in entering the labor market and in adjustment to the destination. The resulting flows have resulted in a much more substantial redistribution of wealth from More Developed to Less Developed contexts than either development assistance or foreign direct investment. These developments are undoubtedly tied up with the increasing international flows of capital, goods, ideas, information etc. that have accompanied the process of globalization.

Unlike the other international flows where barriers to them have been substantially reduced, those to movement of people have been increased, except for movement of a monied elite of international professionals, executives, and managers. These barriers are partly a function of the nation-state maintaining its integrity, partly a well-founded concern about security, but are also based on some fears about the results of immigration that have to be questioned in the light of relevant contemporary research knowledge.

Certainly, however, the massive shifts that have occurred in global international migration in recent years have not seen an equivalent shift in our data collection systems, theoretical knowledge, and research effort into these newly important areas. It is not until such a shift occurs that the research community will be able to supply policymakers and planners with the knowledge necessary for the development of better policies with respect to international migration in both origin and destination countries.

## The Global Tug-of-War for Health Care Workers

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In the not too distant past, discussions involving "health" and "migration" would likely have focused on the physical and mental condition of immigrants, or, perhaps, the incidence of communicable diseases in a refugee camp. Today, however, the connection between health and migration can just as readily be illustrated by a hospital in AIDS-stricken Malawi, which has only 30 nurses, 26 of whom have plans to leave the country.

The international mobility of health workers is nothing new. In recent years, however, migration of health workers — from highly skilled physicians to those in lesser skilled positions, from the developing world to wealthier destinations — has increased. Moreover, the countries with the most alarming outflows include those sub-Saharan African nations suffering acutely from the HIV/AIDS epidemic and dwindling numbers of health workers.

Controversy surrounds the proper role of policy interventions in the global labor market of health care professionals. Emigration of health care workers weakens already failing health systems in the developing world. Yet this movement may more accurately be described as a symptom or an aggravating factor, and not the root cause of health care system failures in the developing world.

At the same time, the graying of the industrialized world has placed pressures on industrialized countries to find a solution for scarce or poorly distributed health care labor to support their aging populations.

Both scenarios shed light on this new global tug-of-war for health care workers. It is still unclear what the new rules of engagement will be to retain and train health care workers where they are most needed and to mitigate the grave imbalance between the rich and the poor with regard to health care. In light of these factors, experts are weighing a series of policy options that have important implications for the migration of the world's health care workers.

Ethical considerations that pit the right of individuals to move against a greater public good are at stake as well. Policymakers find themselves struggling with two complex sets of issues: how can health care workers with needed skills maintain their freedom of movement and the opportunity to respond to more favorable employment offers outside their country or region of origin without damaging the fundamental right of others in a population to a basic standard of health care?

### The Care Drain: A Global Phenomenon with Local Implications

While the flight of health care workers from sub-Saharan Africa to the United Kingdom, Australia, and North America captures the spotlight in current discussions on "health care brain drain," mapping out medical migration as a global phenomenon highlights the interconnections of flows across regions.

Notable source regions for health care-related migration are Africa, the Caribbean, South Asia, and Southeast Asia. According to the Organization for Economic Cooperation and Development (OECD), the primary destinations are the Anglophone countries of Canada, the US, the UK, Australia, and New Zealand. Across these countries, an average of 23 to 24 percent of physicians are trained abroad. Other recipients of significant numbers of medical migrants include Western Europe and the oil-exporting Gulf States.

Nurses, in particular, are leaving their home countries in greater numbers. The number of nurses in the UK from non-EU countries grew from approximately 2,000 in 1994-1995 to more than 15,000 in 2001-2002.

In the US, the percentage of nurses trained abroad increased from six percent in 1998 to 14 percent in 2002. Even the Philippines, a traditional sending country, sent more than three times the number of nurses abroad in 2001 than in 1996, primarily to the UK, Ireland, and Saudi Arabia. Such trends

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persist despite severe or emerging shortages in home countries. In fact, long-time source countries like India and the Philippines face health worker shortages themselves in rural and underserved areas.

Some developing countries, too, are becoming both destinations and sources of skilled workers. While an estimated 5,000 doctors have moved from South Africa to the US, UK, Canada, and Australia, South Africa has become a destination for health professionals in its own right, as indicated in a 2002 study by the Southern Africa Migration Project (SAMP). Neighboring Botswana shares a similar position in the Southern Africa region.

Among industrialized countries, too, there is an ever-shifting pattern of movement. The United Kingdom has replaced its health professionals who have gone to North America with entrants from Germany. Germany, in turn, hosts a significant and growing number of physicians from the Czech Republic. In anticipation of a mass exodus after EU expansion in May 2004, Czech health systems identified recruitment from neighboring Slovakia as a coping strategy. The downstream effects of such recruitment strategies have a profound effect on source countries.

### Impact of Health Care Migration on Source Countries

Outflows of health care workers are not necessarily a sign of health system malfunction. In fact, in some countries, such flows have been part of an overall strategic labor export plan. The Philippines, India, and Cuba have intentionally invested in the training of health workers for export. In return, some migrants contribute to their home countries with remittances and enhanced skills when they return.

However, for some countries, even limited migration can have a big impact. Indeed, a study by the Joint Learning Initiative at Harvard University notes that "while the absolute numbers may not be large, the outflows can be 'fatal' for disadvantaged people in source countries."

Health care migration from countries that are involuntary or reluctant sources tends to have more wide-spread negative reverberations. This is especially true in the case of sub-Saharan African countries, whose health systems are already compromised by an HIV/AIDS epidemic that claimed 77 percent of the disease's deaths worldwide in 2003.

Approximately 37 of 47 sub-Saharan African countries do not have 20 doctors per 100,000 people, as recommended by the World Health Organization (WHO) minimum standards (see Table 1). In contrast, the average among OECD countries was approximately 222 physicians per 100,000 people in 2000. Malawi filled only 28 percent of vacant nursing positions in 2003. South Africa had up to 4,000 doctor vacancies and 32,000 nurse vacancies in 2003.

Migration is not solely responsible for the shortages but it is an active factor. For instance, the main cause of attrition among health workers in Malawi is not migration but death, mainly from HIV/AIDS. South Africa has 35,000 registered nurses documented as being in the country who are inactive or unemployed, despite 32,000 vacancies in the public sector.

At the same time, however, a 2003 WHO report found that 60 percent of South African institutions had trouble replacing nurses who had emigrated; a significant number of pharmacies in Zimbabwe have closed due to the outflow of pharmacists.

International migration flows have also exacerbated rural health shortages, as vacancies in urban areas left by migrating workers are filled by those leaving rural tracts. For example, in South Africa, rural areas account for 46 percent of the population, but only 12 percent of doctors and 19 percent of nurses. These internal disparities have also been noted in countries whose governments support the emigration of health care personnel.

The dearth of health care workers has hampered not only the expansion of AIDS treatment programs in Botswana and South Africa, but also routine services for tuberculosis and immunizations throughout sub-Saharan Africa. On the ground, such shortages lead to unqualified employees performing critical services, overburdened staff, lack of popular confidence in the health care sector, and loss of institutional knowledge. International migration also tends to disproportionately involve those most likely to contribute in managerial and training roles, further weakening a country's health system.

Table 1: Physicians per 100,000 people in Sub-Saharan African Countries

Country	Physicians (per 100,000 people) 1990-2003	Country	Physicians (per 100,000 people) 1990-2003
Gabon	*	Ghana	9
Malawi	*	Madagascar	9
Somalia	*	Sierra Leone	9
Burundi	1	Benin	10
Rwanda	2	Senegal	10
Chad	3	Djibouti	13
Ethiopia	3	Guinea	13
Niger	3	Kenya	14
Burkina Faso	4	Mauritania	14
Central African Republic	4	Swaziland	15
Gambia	4	Sudan	16
Mali	4	Cape Verde	17
Tanzania, U. Rep. of	4	Guinea-Bissau	17
Angola	5	Congo	25
Eritrea	5	Equatorial Guinea	25
Uganda	5	South Africa	25
Togo	6	Nigeria	27
Zimbabwe	6	Botswana	29
Cameroon	7	Namibia	29
Comoros	7	Sao Tome and Principe	47
Congo, Dem. Rep. of the	7	Mauritius	85
Lesotho	7	Libyan Arab Jamahiriya	120
Zambia	7	Seychelles	132
Cote d'Ivoire	9		

Note: A "\*" indicates data not available.

Source: Human Development Report 2004, United Nations Development Programme

The financial loss figures are significant as well. Because many developing countries pay for health training through public medical schools, they lose a substantial amount in training investments when health workers migrate. Estimates range from \$500 million per year on average for a developing country to \$1 billion per year for South Africa.

Although the home country may gain from remittances, such transfers do not necessarily go to the health system or to public coffers. Furthermore, as a nation's economic productivity is linked to the

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health of its citizens, the economic impact of poor health systems may become significant.

### **Contributing Factors to Health Care Migration: Salaries, Training, Distribution**

Beyond the fundamental challenges facing many source countries of health care migrants, such as political and economic instability and poor governance, there are other starting points for appropriate policy responses.

Salaries and benefits are an obvious factor, given extreme wage differentials across countries. A 2002 survey led by human resource management and development expert Tim Martineau listed monthly salaries for physicians that range from US\$50 in Sierra Leone to US\$1,242 in South Africa. Wages in Canada and Australia are approximately four times those in South Africa.

However, many experts emphasize that pay is not the sole motive for leaving the country. Other factors include poor work environments characterized by heavy workloads, lack of supervision, and limited organizational capacity. There are also environmental considerations; workplaces may be dangerous due to lack of sanitation and supplies to protect workers from diseases like HIV/AIDS and tuberculosis.

This is occurring when much of the current international funding is narrowly focused on disease-specific programs rather than capacity-building to improve salaries, human resource management, and the procurement of basic medical supplies and much-needed in-country training.

In many developing countries, health care needs require a broad grounding in public health. Training, however, in some source countries for medical professionals — especially for physicians — has tended to focus on advanced medical techniques. Graduates are unlikely to use such training or to make professional advances in these areas without moving to countries where medical technology is more readily accessible and used.

Other factors in destination countries act as magnets for health workers in the developing world. With fewer people having children and individuals living longer, there has been a profound change in the industrialized world's age distribution, from Japan to Italy. As a result, there is a growing demand for health care workers, especially those who can provide assistance to the elderly. The US Department of Health and Human Services projects a possible lack of 275,000 nurses by 2010 in the US, and the UK's National Health Service has a goal of adding 20,000 more nurses by 2004.

In some instances, inappropriate or poor distribution of health care professionals and not a shortage is at the root of increased demand. Although some estimates suggest that the US produces more medical doctors than it needs, there is a shortage of general practitioners. Furthermore, 20 percent of Americans live in rural areas, but fewer than nine percent of physicians live in these areas.

All of these factors have contributed to the emergence of a robust, international recruitment industry. Recruitment drives by actors as diverse as the provincial governments in Canada to Wal-Mart pharmacies in America have been important facilitators of the medical migration process. Recruitment practices include retaining third-party recruitment agencies, aggressive advertising in professional medical publications, and relocation services for migrants.

### **Proposed Policy Responses**

As outlined above, several players and conditions have conspired to deplete developing countries of their important health care providers. At issue is not only the availability of healthcare workers but also the long-term viability of health care systems. Shoring-up crumbling systems has emerged as a critical policy challenge.

As might be imagined, policy responses are controversial and not easy to implement. A major study in 2004 by the nongovernmental organization Physicians for Human Rights (PHR) sets forth some guidelines for rich countries in search of additional health care labor.

A similar report by the Joint Learning Initiative at Harvard University carefully documents the spectrum of challenges, including migration, that developing countries face.

## Migration Information Source: Selected Readings on Migration and Development

The recommendations focus on changing the *conditions* for *native* health care workers, including increasing wages and opportunities for training and improving working conditions. In addition, they suggest that developed countries should work to minimize their reliance on foreign health professionals by placing native health professionals in underserved areas (e.g., through programs focused on loan repayment and recruitment from rural areas).

Several actors — ranging from sending and destination countries to advocacy groups in Africa and around the world — have promoted recommendations to deal explicitly with managing the migration of health workers.

Rather than restricting the movement of health professionals, such schemes emphasize minimizing the factors that foster migration. In light of the disparities between sending and receiving countries and the critical need for health workers in poor countries, the WHO and other global actors are giving high-level consideration to such actions.

### *Regulating Active Recruitment*

Host countries as well as representatives from organizations such as Physicians for Human Rights and the International Council of Nurses have called for regulated recruitment from developing countries facing a critical shortage of health care workers. South Africa, for example, did just that through a government mandate issued in 1995 that prohibited South Africa from recruiting doctors from the 14 member countries of the Southern African Development Community. The effort has reportedly been successful, with implementation carried out through professional registration controls.

Similarly, the UK has implemented a "code of practice" — renewed in 2001 to reflect concerns about Africa — that prohibits its National Health Service organizations from recruiting health workers from certain countries. While the code has been well respected in the public sector, it is not binding on the private sector. As a result, the number of nurses from abroad increased in 2002.

Consequently, the focus has centered on the accountability of private actors. It is unclear, however, how to manage such private recruitment. Several ideas have been floated. These include requiring recruitment agencies to report their practices publicly; creating an independent watch-dog type agency to oversee the process and to monitor and promote compliance with a code, and taxing employers and recruitment agencies that import medical workers without following codes of conduct.

Bilateral agreements are another mechanism for promoting health worker flows that are more beneficial to source countries. For instance, Norway's public health sector limits recruitment from most developing countries. However, it has signed agreements allowing nationals from Poland and the Philippines to work there.

Likewise, China has initiated agreements to send medical professionals to England for training purposes. Such arrangements have also been initiated by countries with health worker shortages. South Africa has proposed bilateral agreements which aim to stop active recruitment of its health workers with several countries. Similar to mandates and codes of practice, bilateral agreements face challenges of private sector enforcement.

In light of the difficulty in enforcing such agreements, as well as the resulting shift in migration that would likely occur to and from countries that do not have such practices in place, some groups have called for an international standard to be set forth by the WHO or an international treaty. Some analysts believe that such a standard could be an important advocacy tool for those within a country pushing their government to codify ethical recruitment policies.

### *Promoting Training Through Short-Term Visas*

Other recommendations under consideration include changing the visa policies of wealthy countries to promote skills development through short-term visas. The hope is that such training could improve health care treatment and retention in the health care profession within origin countries.

Others are dubious of such efforts, pointing to the importance of understanding more clearly the *kinds*

## Migration Information Source: Selected Readings on Migration and Development

of skills shortages and the *distribution* of current health care workers. They argue that increased numbers are unlikely to solve these mismatches.

Furthermore, many believe it will be difficult to enforce the departure of those on temporary training visas. Such new visa programs will also have to ensure that training is appropriate for the needs in the origin country.

### *Compensating Countries for Losses Associated with Health Care Worker Migration*

One of the most controversial issues within the health care field as well as the international migration management field as a whole is the idea of compensation. In 2004, the World Health Assembly — the decision-making body of the World Health Organization — recommended that its director general examine reimbursement by destination to source countries for the investments lost when health professionals migrate.

Critics of such a plan counter that individuals search out opportunities outside their country of origin because of poor in-country opportunities for professional growth and remuneration. Governments, therefore, should not be rewarded for their failure to provide meaningful employment for their own citizens and for domestic economic mismanagement.

Others have suggested that any compensation should be invested directly in the health care system, potentially through foreign aid streams. One possible source of reimbursement under consideration is taxing employers of foreign health care workers. Noting the traditional resistance of importing countries towards compensation measures, some observers have alternatively proposed large-scale reinvestment efforts funded by rich countries to develop human resources in sending countries.

### *Proceeding Carefully with Trade in Health Services According to the GATS*

Other policymakers have focused on the General Agreement on Trade in Services (GATS) regime. They believe that source countries should move cautiously to liberalize trade in health services. While the GATS — a framework supported by the World Trade Organization (WTO) — will allow for a freer flow of service workers with a goal to improve the efficiency and global allocation of labor, health care workers may constitute a notable exception.

Some have suggested that the GATS may constrain sending governments' flexibility in human resource planning in the health sector. In reality, the section of the GATS dealing with professionals has been little used by developing countries, and the World Health Assembly has requested that the director general cooperate with the WTO to address the possible effect of trade agreements on international health workers.

### *Facilitating the Migration of Health Care Professionals to Countries with Health Worker Shortages*

Many of the tens of thousands of health professionals living outside of their country of origin are willing to contribute their skills to their home countries. There are a range of tools available to countries to promote such transfers, including allowing dual citizenship to foster more circular migration.

Developed countries can also allow health care workers to go home under special arrangements that will not penalize them upon their return to the developed country. Many health professionals abroad are unaware of opportunities at home, a weakness that organizations such as the International Organization of Migration are working to strengthen.

Similarly, several countries suffering from health worker shortages, such as Botswana, Kenya, South Africa, and Zimbabwe, have utilized foreign volunteers and recruited doctors from India, Pakistan, Cuba, and elsewhere to work in the most rural and disadvantaged areas. Under the right conditions, foreign health workers may be able to enhance local capacity and provide training, supervision, and technical skills.

## Conclusion

There is a tremendous need for more research on health care migration. The scale and nature of skills shortages in the health care sectors, especially in rich countries, is poorly understood, as is the relationship between recruitment and retention. Sorting out challenges of geographical distribution versus those posed by scarce supply will continue to be important.

Furthermore, there has been relatively little discussion about the protection of health care workers who do choose a career abroad in less desirable positions or locations. As a factor in retention, such protections from abuse should be a component of any discussion on health care provider mobility.

A resolution passed at the May 2004 World Health Assembly calls on WHO's 192 Member States to work towards mitigating the negative effects of health care migration. The challenges in the next decade of responding to the growing inequities of medical migration are surmountable, but they will require political will, collaboration, and commitment from international agencies, governments, and public and private agencies.

Governments and donors who aspire to ambitious United Nations Millennium Development Goals, such as reversing the spread of AIDS, tuberculosis, and malaria by 2015, must be serious and consistent about investing in sustainable health systems. Concurrently, sending and destination countries of health workers must adopt migration regimes that seek to secure within source countries an adequate number of health professionals.

Although the end goals are clear, the tactics that all players must support are still hotly contested. The next decade will be an important one as advances in the management of global health challenges and in our understanding of international migration and its role in development begin to coalesce.

There may, indeed, emerge policies that support the idea of medical migration exceptionalism, including policies that exact a tax or some kind of compensation for the recruitment of scarce labor with special health care skills. If so, it is possible these policies will serve as templates for other kinds of skilled emigration. This is all the more reason to move cautiously and thoughtfully, but ahead nonetheless.

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## Cape Verde: Towards the End of Emigration?

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Few, if any, countries have experienced emigration as extensively as Cape Verde. The diaspora outnumbers the resident population, and virtually every family has emigrant members. The importance of migration makes the country particularly vulnerable to the tightening of immigration policy in Europe and North America. Recent decades have been marked by declining emigration, increasing population growth, and considerable migration pressure.

### Shifting Directions of Emigration

Cape Verde is an archipelago of nine inhabited islands off the coast of West Africa with a population of about 450,000. From their discovery around 1460 until 1975, the islands were a Portuguese colony. Large-scale emigration started in the 1800s, when Cape Verdeans took part in a great trans-Atlantic migration, motivated by recurrent episodes of drought and famine. In the 1920s the introduction of immigration quotas in the United States led to a redirection of migration flows to Portugal, West Africa, and South America. Under Portuguese colonial rule, there was also large-scale indentured labor migration to plantations on São Tomé and Príncipe, an island colony in the Gulf of Guinea.

Around 1960, Cape Verdeans joined the northbound flows of labor migrants to Western Europe. Portugal remained an important destination, primarily because Portuguese emigration to Northwest Europe created a demand for unskilled labor in Portugal. Many Cape Verdeans moved onwards from Portugal, primarily to the Netherlands.

The most recent figures, based on questions about emigration in the 2000 census, indicate that about half of all emigrants in the period 1995-2000 went to Portugal. The second most important destination was the United States, followed by France and the Netherlands. During the same period, there was also significant migration to Italy, Spain, and Luxembourg.

More than a century of emigration has created Cape Verdean diaspora communities in about 25 countries across Europe, Africa, and the Americas. Estimating the size of the diaspora populations is complicated, and often the available data are not directly comparable. It is estimated that the number of people with Cape Verdean ancestry in the United States, including both migrants and their descendants, is higher than in any other country. However, the number of first-generation Cape Verdeans is probably higher in Portugal than in the United States.

### The Aspiration to Emigrate

The desire to work abroad is prevalent in Cape Verde. The government's quarterly employment surveys include a question about the wish to emigrate, and typical results show that more than half of the respondents have this wish (with fluctuations over time and between islands). Statistical analyses demonstrate that being unemployed, having relatives abroad, and receiving remittances are factors that contribute to the wish to emigrate. The percentage of prospective emigrants declines markedly with age and with the level of education.



## Migration Information Source: Selected Readings on Migration and Development

The widespread desire to emigrate cannot be explained exclusively by economic or demographic factors. The idea of emigration and return as a path to prosperity is a deeply rooted aspect of Cape Verdean society. When talking about their wish to emigrate, most Cape Verdeans relate to emigration as a "package" of expected events: going abroad, working hard, returning with savings and securing a better future at the place of origin. As in most cases, the original intention to return often fades over time. However, there are a substantial number of return migrants whose wealth bolsters young people's desire to emigrate.

Cultural explanations of the wish to emigrate can also be found in Cape Verdeans' perception of their own country. Even with a standard of living that is among the highest in Africa, the notion of Cape Verde as a place of inescapable poverty is pervasive. The persistent lack of rain, the smallness and remoteness of the country, and the constant exposure to European and American lifestyles through contact with emigrants all add to this. Indeed, much of the wealth that is visible in the form of fancy cars and large houses comes from working abroad.

### Decline and Feminization

Since independence from Portugal, the emigration aspirations of Cape Verdeans have been challenged by increasingly restrictive immigration policies in the countries of destination. Migration flows have fallen substantially, from an average annual population loss of two per cent in the early 1970s to about 0.5 per cent in the early 1990s. Partly as a result of this, the population growth rate has tripled from the 1970s to the 1990s, reaching almost 2.5 per cent per year. Cape Verdean authorities expect emigration flows to decline further in the coming decades.

Paralleling the decline of emigration flows, there has been a shift in the gender balance in favor of women. There are several reasons for this. First, there has been a change from individual labor migration to family-related migration. Many Cape Verdean men who settled in Northern Europe in the 1960s and 1970s brought their wives and children in the 1980s. More recently, *family formation migration* has come to constitute an important form of migration, particularly to the United States and Northern Europe. In most cases, it is women from Cape Verde who go abroad to marry and thereby obtain a residence permit.

A second reason for the feminization of emigration flows has been the growth of independent labor migration by women. Italy, Portugal, and Spain have all become important destinations for Cape Verdean domestic workers. While the demand for unskilled male immigrant labor has generally fallen throughout Europe, there has been a rising demand for female domestic workers in Southern Europe. This has resulted in considerable emigration flows from Cape Verde, both documented and undocumented.

### Increasing Migration Pressure

The growing mismatch between desires to emigrate and the restricted opportunities to do so have become a significant problem in Cape Verde. One of the outcomes has been increasing undocumented migration, primarily in the form of overstaying tourist visas. Many Cape Verdeans have been able to regularize their status later, especially in countries where there have been regularization programs (e.g., Portugal and Italy). Others have led an undocumented life for many years (e.g., in the United States or France), and their only complaint to relatives in Cape Verde has been the impossibility of going home on holidays. These factors have had a significant impact on the attitude of prospective migrants. First of all, many have the belief that once there, "getting your papers sorted out" is only a question of time. Second, it is a commonly held view that working and residing illegally is tolerated as long as one does not get into trouble with the police. This has created a strong demand for tourist visas by people who intend to stay permanently in Europe.

As it has become increasingly difficult to secure admission to European Union countries, Cape Verdeans have taken advantage of their dispersed networks. Because most people have relatives in more than one European country, it has been possible to apply for a tourist visa where the prospect of being granted one is highest, and then move to another country where it is easier to work illegally and/or to regularize one's situation. However, the situation has become more difficult since the Schengen countries began joint handling of short-term visa applications in 1995.

Young people in low-paying jobs who have never left Cape Verde are very rarely granted visas, and this has led to a great demand for false employment certificates and bank statements. The pressure of large numbers of fraudulent applications seems to have resulted in restrictive processing that affects all applicants. Even people who have worked in Europe for several decades and receive a European pension have had their applications for tourist visas turned down.

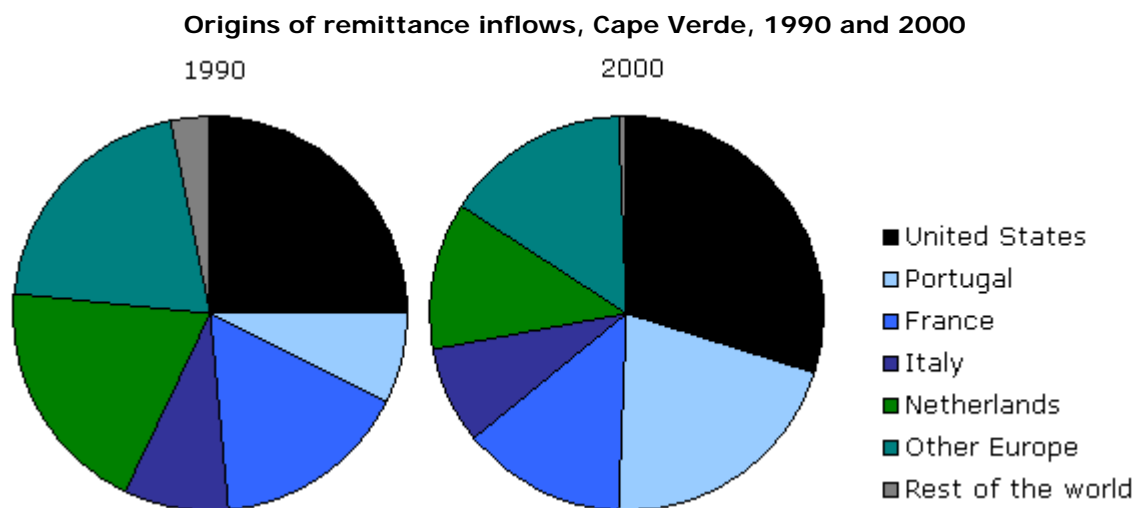
Undocumented migration by means of illegal entry, as opposed to overstaying visas, seems to be virtually inexistent among Cape Verdeans. However, the archipelago has been used as a stepping-stone for mainland Africans who are smuggled onwards to the Canary Islands.

### The Future of the Diaspora

The tightening of immigration control in Europe and North America affects not only the rates of emigration and population growth, but also Cape Verde's relationship with its diaspora. For a country like Cape Verde, with very limited export potentials, the question is not least an economic one. In the late 1990s, remittances constituted 25-30 percent of the country's income. Furthermore, emigrants returning to their homeland on holiday made a significant contribution to income from transportation and tourism, which accounted for another 25 percent of national income. Finally, emigrant communities were important for securing government transfers (development aid), which represented about 20 percent of national income.

Migrants' transfers have increased considerably during the 1990s, at an average of more than 10 percent per year. What will happen to remittance flows when emigration declines is an open question. The Netherlands can be seen as a case that indicates what the future might bring. There is a well-established Cape Verdean community, but migration from Cape Verde has been dramatically reduced as a result of the European state's restrictive immigration policy. In the short run, the remittance flows can be expected to continue increasing. This is because many middle-aged emigrants are planning to retire in Cape Verde, and will thereby channel their pensions back to their homeland.

Further ahead, the prospects are more worrying. In the Netherlands, the second generation already accounts for 40 percent of the population of Cape Verdean origin. Compared to the first generation, the second generation is far less likely to send remittances or to retire in Cape Verde. From 1990 to 2000, the Netherlands' share of total remittances to Cape Verde fell from 20 percent to 12 percent (Figure 2).



Source: Banco de Cabo Verde. 1991-2001

For Cape Verde as a whole, the effects of reduced emigration may be dampened by the diversity of its diaspora communities. For instance, the communities in Southern Europe continue to grow and include a large number of single women who remit regularly to their children and other close relatives.

## Migration Information Source: Selected Readings on Migration and Development

Migration to the United States has also been relatively stable over the last decade, securing a large inflow of remittances. There have, however, been significant restrictions in Portuguese immigration policy during the last year, and US immigration procedures have become much more cumbersome and time-consuming in the wake of the September 11 attacks.

Cape Verde is one of very few countries to have experienced emigration on such a vast scale, and it is particularly vulnerable to the tightening of immigration policy in Europe and North America. Declining emigration, increasing population growth, and considerable migration pressure have all loomed large in recent decades, and look set to play important roles in Cape Verde's future.

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## Cook Islands: Migrating from a Micro-State

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The Cook Islands have long provided the archetypal images of the Pacific: a series of 15 islands spread across a million square kilometers of ocean, inhabited by Polynesians in a sub-tropical location. But this image changed in the 1990s, especially given the combination of the effects of migration and the economic difficulties faced by the country. The diasporic population, largely based in New Zealand, now encompasses 70 percent of the total Cook Island community. The origin country faced significant structural and economic adjustment challenges in the 1990s, is struggling financially and politically, and has seen the economic and cultural center of the community shift to New Zealand. This can be traced to a particular history of colonial association and the migration that followed.

### Colonial Connections and Migration

The Cook Islands were peopled by Polynesians and include a main island, Rarotonga, and widely dispersed atolls across a large expanse of ocean. The two local languages still spoken are Maori and Pukapukan. Culturally and linguistically, Cook Island Maori are similar to the Maori of New Zealand. The Cook Islands were declared a British Protectorate in 1888 and then annexed by the New Zealand Government in 1901. From 1901 to 1965, the islands were administered by New Zealand, and since 1965, they have operated in "free association" with New Zealand.

Today, while the Cook Islands Government is responsible for local administration, New Zealand is responsible for defence and external affairs. Despite periods when the relationship between the two countries has been troubled, the Cook Islands have not sought full independence for two principal reasons: reliance on aid from New Zealand, and the benefits of New Zealand citizenship.

This colonial connection with New Zealand and the opportunity to move freely between the two countries had little effect until the 1950s. In the post-war period, New Zealand was very short of labor, including semi and unskilled workers. New Zealand employers began to recruit throughout Polynesia, notably Samoa and Tonga. The Cook Islands, along with other New Zealand-administered territories – Tokelau and Niue – saw a combination of factors encouraging migration. Polynesians were looking for greater employment and educational opportunities, employers were looking for new sources of unskilled labour, and the New Zealand Government encouraged migration as a way of providing new opportunities and a future for Pacific peoples.

Migration was aided by colonial connections, which meant that, with some exceptions, the legal, educational and labor laws of New Zealand and the Cook Islands were similar, if not identical. The 1965 statement to the United Nations said: "The Cook Islands people, because of their many natural links with New Zealand, have determined to exercise their right of self-government... but not at this time as a separate, sovereign state." A common legal and policy framework, and what is effectively a common labor market, has encouraged Cook Islanders to emigrate, especially in the post-war period. The flow of migrants from the Cook Islands increased through the 1950s and 1960s.

### The Impact of Migration

In the first half of the 20th century, the Cook Islands population rose from 8,213 in 1902 to 15,079 in 1951. The population continued to rise, reaching a peak in 1971 at 21,322, and it now looks to have



stabilized around 18,000.

However, there are various demographic impacts upon the resident population. In 1971, the annual intercensal (five years) growth rate was two percent, but this had become -3.2 percent by 1976, reflecting a loss of 3,196 of the local population, and negative growth rates were recorded until 1991. The dependency ratio records the demographic impact, dropping from 121.3 in 1971 to 67.3 in 1991. Despite a crude birth rate (births per thousand resident population) of around 22 through the 1980s and 1990s, the total population has continued to decline and the dependency ratio, especially on the largest island, Rarotonga, has reflected the outmigration of the working age population to New Zealand. The resident population is aging. Furthermore, the population estimates for 2002 of around 18,000 people in the Cook Islands include a considerable visitor proportion, and the "normally resident category" is estimated as being only 13,500.

This is in contrast to the rapid growth of the diasporic population. The first significant migration of Cook Islanders to New Zealand occurred in the 1950s, when they were recruited as unskilled agricultural workers to Hawkes Bay. Chain migration quickly established community networks, and their presence was felt in institutions such as the local Presbyterian churches. Subsequent migration was to other rural areas and single-industry towns such as Kawerau in the central North Island. But increasingly, migration was to the main urban centers and to employment in the service and manufacturing sectors.

Measured by birthplace statistics, the intercensal growth of Cook Islanders in New Zealand was significant. Between 1976 and 1981, the number of Cook Island-born residents in New Zealand grew by 1,692 or 13.9 percent. The effect is that by the 2001 New Zealand Census, there were 52,600 Cook Islanders living in New Zealand, making them the second-largest migrant Pacific population in the country and triple the Cook Island population. The expansion of the New Zealand Cook Island population, through a combination of births and migration, remained high with growth of 5,200 or 11 percent between 1996 and 2001. The population is relatively young (42 percent were under 15 years of age in 2001) and 70 percent had by then been born in New Zealand.

In terms of educational achievement, participation in skilled and professional employment, and income, there are growing differences between New Zealand-born and Cook Island-born New Zealand residents and even greater differences with the origin-country population. While these differences are important, they are less significant than the contrasts between island and New Zealand-born for other migrant Pacific groups, partly because there are common policy frameworks between New Zealand and the Cook Islands, and partly because Cook Island Maori are linguistically and culturally very similar to the indigenous Maori population of New Zealand. Intermarriage, especially with Pakeha (the dominant European-descent population), has helped in this process. There is some reverse migration but the maturation and size of the New Zealand community increasingly makes it the dominant community, economically, politically, and culturally.

### **Transnationalism and Homeland Politics**

The fact that Cook Islanders are New Zealand citizens makes residency and travel between the two countries relatively easy. This is underlined by the economic importance of New Zealand as a destination for Cook Islands products, the fact that there is a common language (English) and a shared educational system, and that there are important cultural connections between the Maori of the Cook Islands and New Zealand. There are also strong historical connections, and substantial transnational networks of goods, people, and capital flowing between the two countries.

As with other Pacific communities, the transnational connections are extensive and regular. In many ways, it is easier to travel or trade between Rarotonga and Auckland than it is among the far-flung islands of the Cooks. However, the relationship between the two countries has experienced some difficulties recently.

By the mid-1990s, two-thirds of the Cook Islands workforce was employed by the Government in some capacity, and the economic management of the country was coming under scrutiny from New Zealand (the main aid donor) and banks in terms of economic stability and credit-worthiness. Debt was \$NZ141 million by 1996 and imports were costing \$NZ50 million (2000) while exports were earning less than \$NZ10 million and total revenue was \$NZ28 million.

## Migration Information Source: Selected Readings on Migration and Development

This situation was compounded by attempts by the Cook Islands Government to generate additional revenue by issuing letters of tax credit to major companies, and then involvement in the provision of online banking and gambling facilities. The New Zealand and Australian governments, in association with some banks, required the Cook Islands Government to undertake major structural reforms in the late 1990s that had a major impact on local employment opportunities and income. More recently, in 2002, the Organization for Economic Cooperation and Development's Financial Action Task Force put the Cook Islands, among others, on a blacklist of countries that provided money laundering and tax havens for criminals. The combined effect has been to characterize the Cook Islands (or the "Crook Islands," as one article dubbed them) as mismanaged and involved in dubious financial practices.

In 2001, New Zealand's foreign minister concluded that: "Pacific countries face cumulative stresses arising from population growth, ethnic tensions, widening socio-economic disparities, government failures and the impact of global trends. A long period of instability lies ahead..." These developments encourage ongoing emigration and underscore the significance of the diasporic population to the detriment of the homeland.

### Conclusion

New Zealand and the Cook Islands have been culturally and economically linked throughout the 20th century, and while this relationship has been unequal, it has nevertheless meant that Cook Islanders have been brought up with New Zealand as a key reference point. Furthermore, active recruitment by New Zealand employers in the 1950s and 1960s, combined with the ambitions of Cook Islanders to obtain better educational and employment options, signaled a significant increase in the numbers of migrating Cook Islanders in the mid-decades of the 20th century.

By the last decade, the Cook Islanders were in some financial difficulty and New Zealand, as a key aid donor, was requiring structural adjustment to reflect new financial challenges. At a government level, relations have been strained at times, but the decline of the numbers employed in the Cook Islands public service, and the economic difficulties of the economy generally, have encouraged ongoing emigration to New Zealand. The size and relative affluence of the New Zealand-based population presents significant challenges for a Cook Islands government that wants to stem outmigration or attract Cook Islanders home.

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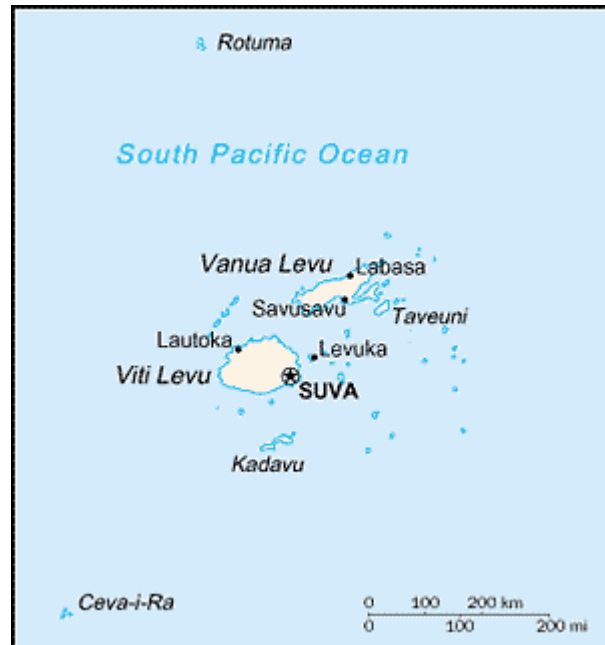
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## Fiji Islands: From Immigration to Emigration

By Brij V. Lal  
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April 2003

The Fiji Islands in the Southwest Pacific are bit like Winston Churchill's Russia: a riddle wrapped in a mystery inside an enigma. Strategically located, easily the most economically developed of the South Pacific Islands, home to the most important institutions of regional cooperation, Fiji is also prone to self-inflicted wounds with crippling consequences. Three coups in 13 years, two in 1987 and one in 2000, have dealt a severe blow to the islands' economy, shaken investor confidence, strained race relations already frayed in an ethnically divided society, and corrupted the institutions and practices of good governance. Perhaps the most important consequence in the long term has been the emigration of the country's best and brightest to greener pastures in North America and Australasia, draining the small island nation of skills and talent it can ill-afford to lose. The tide of emigration is not likely to ebb anytime soon.



Fiji is a multiethnic nation of about 800,000. Indigenous Fijians account for 51 percent of the population and Indo-Fijians about 43 per cent. The remaining six percent comprises Europeans and people of mixed Fijian-European ancestry, Chinese, Pacific Islanders, and others. Fiji became a British Crown Colony in 1874, and an independent nation within the British Commonwealth of Nations in 1970. From independence to 1987, Fiji was ruled by a political party dominated by indigenous Fijians (with support from a section of the Indo-Fijian community and the smaller minority communities) headed by a high chief, Ratu Sir Kamisese Mara. A change in government in 1987 brought a multiracial Labor coalition to power. Headed by an indigenous Fijian, Dr. Timoci Bavadra, the coalition was ousted by a military coup led by the then Lt. Col. Sitiveni Rabuka. A constitution imposed by a presidential decree in 1990 effectively disfranchised the Indo-Fijian community. A new constitution, multiracial and democratic, based on widespread consultation was promulgated in 1997, under which, two years later, a Labor coalition government was elected. That government was ousted in a civilian-led coup in 2000. The present almost exclusively indigenous Fijian government uses nationalist rhetoric, and has committed itself to reviewing the constitution to re-entrench indigenous Fijian control of national politics. Having played the race card to win power, it has no other choice, riding a tiger it cannot dismount at will.

### Foundations of Multiracialism

The foundations of a multiracial Fiji were laid in the late 19th century. The first colonial governor of Fiji, Sir Arthur Gordon, introduced Indian indentured laborers to work on Australian-owned sugar cane plantations. Gordon prohibited indigenous Fijians from commercial employment so that they could enjoy their traditional lifestyle undisturbed by contact with outside forces, and thus escape the fate that befell other indigenous communities that came into contact with the outside world. The introduction of Indian indentured laborers into Fiji was a key element of Gordon's policy to protect the indigenous community. Between 1879 and 1916, 60,000 indentured laborers went to Fiji, and their work helped create the foundations of Fiji's sugar-based economy. Most of the migrants chose to remain in the islands after the expiration of their five-year contracts. Their descendants constitute the bulk of the present Indo-Fijian population, the rest being descendants of Gujarati traders and Punjabi agriculturalists who arrived in the 1920s. Once the indentured labor system was abolished in Fiji in 1920, Indo-Fijians settled in the sugar cane belts of Fiji, principally on the two main islands of Viti Levu and Vanua Levu. By the end of World War II, Indo-Fijians outnumbered the indigenous Fijians in

## **Migration Information Source: Selected Readings on Migration and Development**

the total population. This trend, which was not reversed until the 1980s, caused concern among indigenous Fijians about their place and identity in their own ancestral land.

Fiji's recent political turbulence sets the context for understanding the complex dynamics of its citizens' emigration. Since the coups, emigration from Fiji has exhibited two main characteristics. The first is the dramatic increase in emigration since the coups of 1987. Between 1978 and 1986, 20,703 Fijian citizens emigrated at an annual average rate of 2,300. Between 1987 and 1996, the number increased to 50,050 at an annual average rate of 5,005. Between 1997 and 2000 alone, 16,825 people migrated. And the numbers are increasing daily.

The second characteristic is that the bulk of the emigrants — about 90 per cent — have been Indo-Fijians. In more recent years, educated and skilled indigenous Fijians and other ethnic minority members of the middle class have begun leaving Fiji, but their numbers, while growing, are still small. In the early 1980s, about 60 per cent of the Fiji emigrants went to Canada and the west coast of the United States, and the bulk of the rest to Australia and New Zealand. North American emigration policies were more open, transparent, and welcoming of emigrants with skills. But the 1990s saw a shift in the trend, with about two-thirds of people emigrating from Fiji to Australia. The reversal is the result of many factors, including the opening up of skills-based emigration, family reunion, chain migration, and an increasing perception of greater employment opportunities. The physical proximity of these countries to Fiji, the ease of communication and travel, the sporting, cultural, and economic links are also important.

Indo-Fijians are leaving Fiji in large numbers for several reasons. Political uncertainty is the most important. Independence in 1970 had promised the possibility, or at least the hope, of more inclusive politics and equitable power-sharing between the two major communities. However, this promise vanished in the wake of ethnically divisive elections. Feeling locked out, Indo-Fijians began leaving Fiji in slowly growing numbers. The trickle became a torrent after the coups of 1987. The political culture of racial patronage the coups spawned effectively marginalized the community. Employment opportunities in the public sector, formerly dominated by the Indo-Fijians, diminished as appointments and promotions frequently became dominated by indigenous ethnicity and political patronage. People left because they saw few prospects of advancement for themselves, and especially for their children.

### **Nationalism and Emigration**

Prominent Fijian nationalists insist that Indo-Fijians must content themselves to be second-class citizens, or at least let indigenous Fijians run the country. They claim political leadership as a "birthright" by virtue of their status as the indigenous people of the country. For them, primordial loyalties and attachments rather than political ideology should frame the national political culture. They want the constitution changed to reflect the indigenous Fijians' privileged position in national life. A Constitutional Review Committee, commissioned by the then interim government after the May 2000 coup, was designed to achieve that end. Its report "does not accept Indo-Fijians as citizens with equal rights as any other community to be part of this multicultural country," says Fijian civic activist Jone Dakuvula, a Fijian committed to democracy and ethnic and social justice. What the report "is really saying," according to Dakuvula, "is that Indo-Fijians do not belong to this country. They should not exercise their political rights freely, or they should not aspire to be part of a democratically [elected] government of national unity. The implication of [the report's argument] is that Indo-Fijians should be compelled to leave if they do not accept the nationalist constitution [the committee members] favor." The current government headed by Prime Minister Laisenia Qarase, which came to power after the 2001 general elections, has vaguely sought to be more inclusive, but its hands are tied, and its public (or at least rhetorical) support of genuine multiracialism is unconvincing, especially when it refuses to reprimand government members who incite racial hatred.

### **Seeking Opportunity Abroad**

There are other factors underlying the emigration of Indo-Fijians. Among them is the imminent expiry of agricultural leases. In Fiji, nearly 90 percent of all land is held in inalienable right by indigenous Fijians. This land can only be leased to tenants, most of whom happen to be Indo-Fijians. Thirty-year leases were granted in the late 1960s and early 1970s under the Agricultural Landlord and Tenant Act. These leases have begun to expire, and the landowners are reluctant to renew them either because they themselves want to enter commercial agriculture or because they demand substantially higher

rentals under new lease arrangements. Unable or unwilling to meet new terms and conditions, tenants leave to start life anew in another place, often as strangers, while their recently vacated and once-productive land gradually reverts to bush, damaging the national economy and straining race relations. The future of the sugar industry, in whose development the Indo-Fijians have played a significant role, looks decidedly bleak.

Another problem is the continuing uncertainty about the future of Fijian sugar producers' current preferential access to the European Union market. The government is discussing restructuring the sugar industry to make it more efficient and competitive, but a solution broadly acceptable to sugar growers, landowners, and others involved in the industry does not seem feasible in the near future.

Emigration offers a way out. Most farmers, unskilled and uneducated, cannot leave, but they hope that their children will, by one means or another. The choice of subjects children study in high school and at university is heavily influenced by its effectiveness in securing enough points for them to qualify for migration.

### **Transmigration**

It is often said that there is hardly a single Indo-Fijian family in Fiji that does not have at least one member abroad. The expectation is that those who migrate will assist those who remain behind. This expectation and the changing context of global capitalism has produced a new kind of migrant described in the literature as "transmigrants." Transmigrants often develop and maintain multiple relations — economic, social, organisational — that cut across national boundaries. They "take actions, make decisions, feel concerns, and develop identities within social networks that connect them to two or more societies simultaneously." Indo-Fijians — indeed, other Fijians who also migrate — are quintessential transmigrants.

Although they live abroad, they maintain active contact with Fiji through a variety of means: the internet, telephone, video, periodic re-visits, and by remitting money and goods to Fiji. Migrants send regular remittances to parents and siblings, and shoulder responsibility for schooling, weddings, and other life-cycle events. Sometimes they provide funds to purchase or lease land, construct or improve homes, pay off debts, buy clothes, gold, and other ornaments on special occasions, or meet medical expenses of close relatives. Funds are raised communally to meet losses sustained through hurricane, flood, and drought. Increasingly, Indo-Fijian cultural and social associations overseas have begun sponsoring Indo-Fijian students in Fiji. The level of financial support is considerable, though its exact magnitude is unknown.

The cost of emigration to Fiji, however, is well known. Fiji is estimated to lose, on average, \$F44.5 million annually due to emigration, mainly through loss of skill, re-training new appointees, and delayed appointments. The figure is much higher — \$F274.7 million — if account is taken of the output lost if the emigrant's work is not carried out by a replacement. The migrants come from the skilled and educated sector of Fiji. According to Manoranjan Mohanty, a demographic geographer at the University of the South Pacific in Suva, between 1987 and 1996, 5,100 Indo-Fijian professionals emigrated, of whom 21 percent were architects, engineers, and related technicians, 15 percent accountants, 31 percent teachers, 12 percent medical, dental, veterinary, and related workers, and 21 percent other professionals. The impact of their loss on Fiji is visible and acutely felt, particularly in health and education. Once reasonably self-sufficient in medical personnel, Fiji now imports doctors from overseas. And there is a growing shortage of science and mathematics teachers as well. Continuing political turbulence in Fiji — roadblocks, urban crime, talk of another coup — will encourage more migration in the future.

Official response to Indo-Fijian emigration is mixed. At one level, there is regret and concern at the enormous loss of talent and skill, as well as some understanding of why this is taking place. At another, there is the "thank-goodness" attitude among those who stand to benefit from the emigration of Indo-Fijians, particularly those in the public sector. Fijian nationalists applaud their departure as a necessary first step in the "Fijianisation" of their country, a price the country "must" pay to reclaim its indigenous soul. This leaves Indo-Fijians caught between a rock and a hard place. They are accused of being disloyal to the country because they emigrate. Yet, those who remain find it difficult to get a place at the indigenous Fijian table. The government is reluctant to invest in citizens it knows it will lose in the end, while the denial of opportunity only makes Indo-Fijians more determined to leave.

## Migration Information Source: Selected Readings on Migration and Development

Fiji's Indians immigrated to Fiji as indentured laborers in the late 19th and 20th centuries to build an economy and provide cheap labor, so that the indigenous community could be spared the ordeals of plantation work and left alone to progress at their own pace in their own subsistence economy. It is no exaggeration to say that it was the contribution of Indian labor to the colonial economy that helped shield the indigenous community from the corrosive effects of the modern world. But the descendants of those indentured servants, despite their key role in Fiji's economic and social development, are now perceived as hindering the rightful progress of indigenous Fijians. This perception is not likely to change in the near future, which means continued high levels of emigration by Indo-Fijians seeking new opportunities abroad.

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## Kenya: What Role for Diaspora in Development?

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August 2003

Migration from Kenya has often been linked with the pursuit of higher education abroad, and the return of such skills and experience to the so-called business of "building the nation." So pervasive is this notion in the Kenyan psyche, that in his inaugural speech, Kenya's new president, Mwai Kibaki, appealed to all Kenyans "who have been hounded out of our shores by repressive policies of our predecessors to come back home and join us in nation-building. Kenya needs the genius of its citizens wherever they are. It is time for healing, and we need every hand on deck."

Calls such as President Kibaki's to Kenyans abroad have been a popular refrain by politicians for the last 30 years. However, these calls paint only a partial picture of a more complex migration reality for Kenya. Today, Kenya is a bona fide participant in international migration as a source and final destination country for migrants. Kenya also serves as a crucial transit location where refugees from conflicts in Sudan, Somalia, Rwanda, and Burundi have been processed for resettlement in Europe, Australia, and North America.



### Historical Perspective

In the last century, the population of Kenya – originally made up of native Africans of Bantu, Nilotic, and Cushitic origins – has been diversified further by the arrival of Europeans (mostly British colonial settlers) and Indian laborers who helped construct the railway lines before settling in the country and emerging as the predominant minority population in the country's economic life. Earlier interactions of native African coastal communities along the Indian Ocean with traders from India, Arabia, Europe, and the Far East resulted in the rise of the Swahili culture along the coast – a vibrant mixture represented in the language, cuisine, architecture, and religions there today.

In recent decades, Kenya's political stability and relatively advanced infrastructure have attracted many international organizations and businesses to base their operations in the country. The country's geographical location astride the equator, its temperate tropical climate, beautiful landscapes, and abundant wildlife also attract many seasonal tourists, with some choosing to settle down. In the Coast Province, for example, small resort communities of Italians, Germans, French, and other nationalities began to emerge throughout the 1990s, taking advantage of the weak Kenyan economy to cash in on prime real estate investments.

While the number of expatriates and Western migrants in Kenya today is hard to estimate, the number of cultural and educational institutions catering to their needs is a strong indicator of their presence. Around the capital, Nairobi, and elsewhere in the country, special institutions such as the German School, the Swedish School, the French School, the International School of Kenya and a handful of British and American preparatory schools offer different international curricula for the children of expatriates, foreign migrants, and Kenyan families that can afford it. The British Council, Goethe Institute, French Cultural Center, and Italian Cultural Center offer language courses, art exhibits, performances, and other activities for their nationals as well as Kenyans in Nairobi and at branches around the country.

With the end of World War II, a wave of anti-colonialism swept across Africa, including Kenya. In the period preceding Kenya's independence from Britain in 1963, a small number of Kenyans were able to

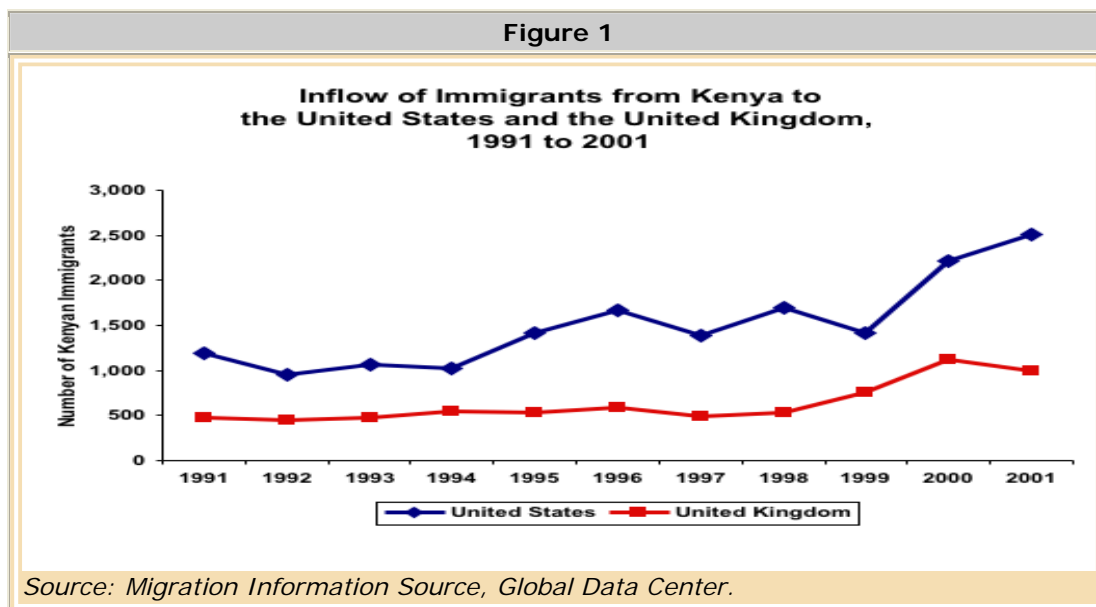
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travel abroad, often to the UK, in search of further education and training that were not readily available at home. Many of these early pioneers returned to Kenya and emerged as the elites in the struggle for independence, and as leaders in crucial government and private sector management positions immediately after the British handed over power.

During his presidency from 1963 to 1978, Kenya's first president, Jomo Kenyatta, initiated the rhetoric of education as the path to development, a belief that took hold in the country and remains virtually unchallenged today. President Kenyatta had taken courses in Moscow and studied anthropology at the London School of Economics before joining Kenya's independence movement. In order to fulfill the country's urgent need for qualified native professionals and other technocrats in diverse fields, young Kenyans were sent abroad for higher education, many of them on government-financed scholarships with guaranteed government jobs upon the completion of their studies and return to the country.

Internationally, this period coincided with the coalescence of East-West Cold War rivalry. While the traditionally preferred destination for Kenyan scholars had been Britain due to strong colonial ties, similarities in educational systems, and the automatic high recognition value of British qualifications in Kenya, other countries soon emerged as alternative destinations for Kenyan students. Principal among these were the United States and the Soviet Union, both of which were very keen to woo the best Kenyan minds with the hope of shaping the ideologies and allegiances of the country's leadership.

United States exchange programs such as the Fulbright, as well as the famed Kennedy student airlifts of the 1960s, were successful in bringing a cadre of Kenyans for training in the United States. The Soviet Union, too, made arrangements to have Kenyans trained in fields such as medicine, agriculture, engineering, and economics in East Germany, Cuba, Russia, and even the Ukraine. By the 1970s, India was also emerging as a favored destination for Kenyans eager to earn university credentials abroad, but unable to independently fund the higher expenses associated with the US, the Soviet Union, and the UK. The diversification of Kenyans' work and study destinations has continued ever since, although the United States and Canada received the largest numbers of Kenyans. The UK has not maintained its attractiveness for Kenyan students and workers because of stricter rules against employment of foreign students, while the US in particular is very desirable because many Kenyans believe they can support themselves there by working.



### The 1980s and 1990s: Migration in the Moi Era

The emphasis on education as the route to national development and upward social mobility was not only evident in Kenyans' insatiable thirst for higher education opportunities abroad during the

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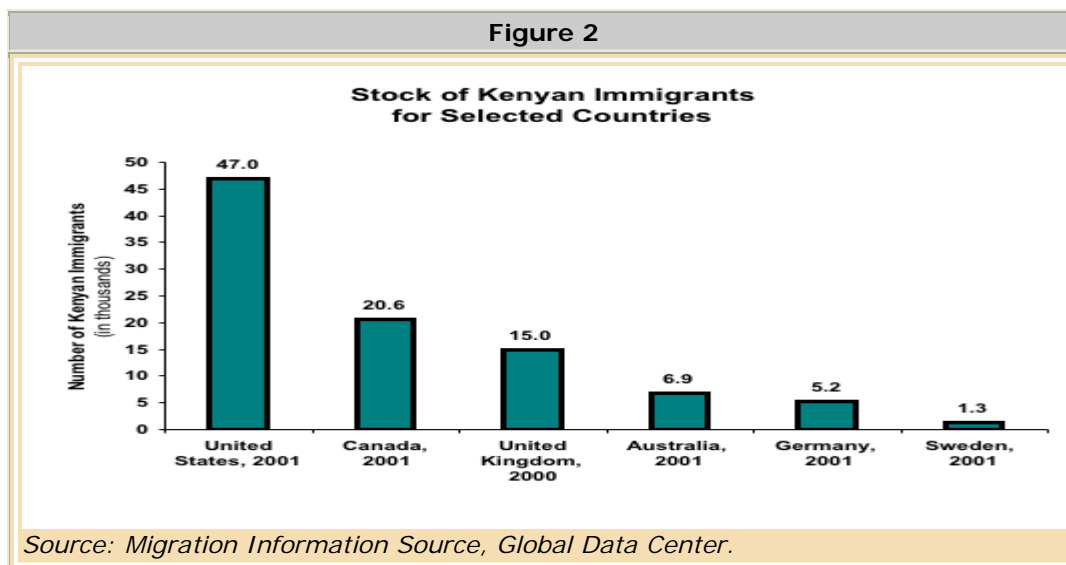
Kenyatta era. Colonialism had transformed Kenya's economy from a primary base of subsistence agriculture to commercial agricultural production, some modern industrial manufacturing, and other cash-driven economic activities. In the new cash economy, education, even at the most basic level, became a major determinant of upward social and economic mobility. Formal education and literacy provided access to coveted salaried white and sometimes blue-collar employment opportunities in the public and private sectors.

President Daniel Arap Moi followed in the policy footsteps of Kenyatta, beginning with a consolidation of free universal primary education. Under President Moi, educational opportunities at all levels increased dramatically, but could not match the needs of the country's fast-growing population. The cutthroat competition for the few places at Kenya's six public and seven private universities left many young Kenyans in the 1980s and 1990s with no option but to pursue educational opportunities abroad.

Apart from the shortage of educational and other infrastructure to handle the demands of the growing population, another distinctive factor behind outward migration from Kenya since the mid-1980s has been the stagnation of the economy. Vital sectors such as tourism took a serious beating due to government mismanagement. Others, such as textiles and manufacturing, collapsed completely, unsupported by inefficient government policies and bogged down by widespread corruption, tribalism, and nepotism. The Kenyan story of these two decades quickly became one of unemployment and underemployment.

With no plan for sustainable economic growth in hand, the government quickly became unable to recruit or retain enough teachers, police officers, or doctors. Morale among the underpaid (and often times unpaid) civil servants and other professionals employed by the government fell drastically. Qualified graduates of the universities and secondary schools found themselves idle and frustrated, or took up menial jobs in small-scale trading and other informal sector activities. High taxes to maintain the overblown public sector suffocated the already feeble private sector. A majority of Kenyans saw their standard of living deteriorate steadily beginning in the mid-1980s through the 1990s as painful structural adjustment programs and other donor-mandated economic austerity measures were implemented half-heartedly. Public spending on health and education at all levels suffered the severest budget cuts, and many civil servants were laid off without their termination benefits being delivered as promised.

After an unsuccessful military coup in 1982, President Moi ruthlessly consolidated his power. For more than 10 years, there was a strongly coordinated elimination of crucial political freedoms and a transfer of power from all branches of government to the executive branch. The constitution was amended under Moi's rule, turning Kenya into a *de jure* single-party state, and paving the way for the political, economic, and judicial persecution of many perceived enemies of the state. Many intellectuals not closely tied to the then ruling party KANU and Moi's ethnic Kalenjin community were forced into exile to such places as Norway, Sweden, Britain, Canada, and the United States.



## Migration Information Source: Selected Readings on Migration and Development

Throughout the 1950s, 1960s, and 1970s Kenyans were engaged predominantly in circular migration in search of higher education and advanced training abroad, which was then later applied to nation-building through employment in Kenya. Some of the graduates from this period include President Kibaki, who, like Kenyatta before him, attended the London School of Economics. Several cabinet members and top officials in the current Kenyan government also studied in Europe, North America and even Asia.

In the 1980s and 1990s, this trend shifted to a one-way mass exodus to the political, physical, and economic stability of foreign lands. A report by the Institute for International Education and the US State Department shows that among African countries sending students to the US in the 2001-2002 school year, Kenya led with 7,097 students, followed by Nigeria (3,820), Ghana (2,672), Egypt (2,409), and South Africa (2,232). Faced with great uncertainty at home, many Kenyan families that could afford the initial financial costs began to view the sending of one or more of their members abroad on a long-term or permanent basis as an investment or a form of economic insurance.

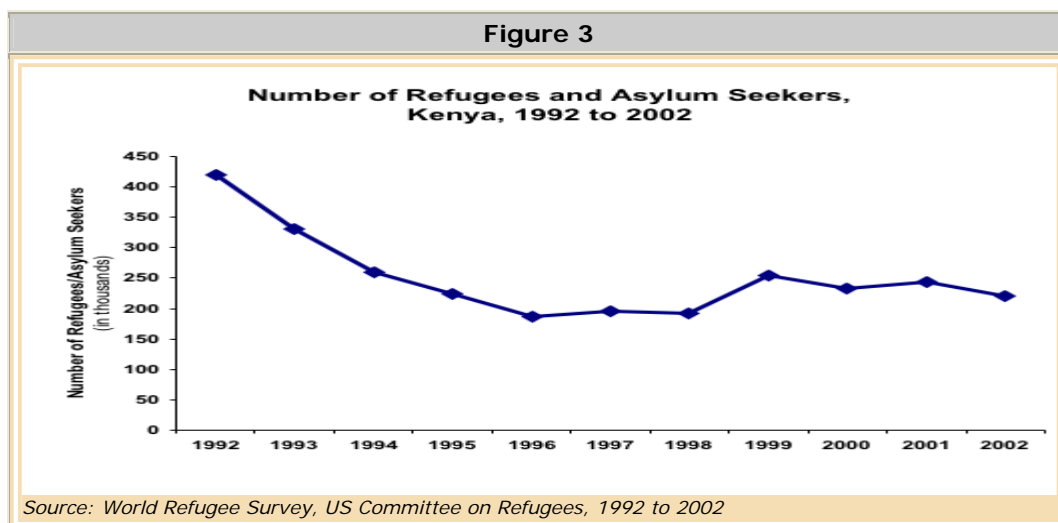
The economic hopelessness of the late 1980s and 1990s, as well as violent politically motivated ethnic conflicts around the 1992 and 1997 general elections, catalyzed the massive departure of doctors, lawyers, university lecturers, and other highly skilled professionals to western Europe and countries such as South Africa, Botswana, Uganda, Australia, Canada, and the United States. For instance, the number of Kenyan citizens in Germany was only 576 in 1980, but had doubled to 1,222 by 1990 and ballooned to more than 5,200 by the end of 2001.

Many Kenyans also began pursuing opportunities in low-skilled positions as bus drivers, domestic servants, cruise ship attendants, and security guards in Gulf countries such as Saudi Arabia, Qatar, and Bahrain. Kenyan high school and elementary school teachers were recruited throughout the 1990s to fulfill shortages in places such as the Comoros Islands, Seychelles, Rwanda, Burundi, and the Congo. The Kenyan government has not yet established standards to ensure the adequate training and protection of these workers before their departures and during their stints abroad or at sea.

Kenyans studying or working abroad could be relied upon to send vital remittances to their relatives; some of which went into helping maintain previous standards of living as the economy declined further, and some into small business ventures or other development activities. Although there are no reliable figures about the size of migrant remittances to Kenya, their role in sustaining the foreign exchange-strapped Kenyan economy is believed to have been significant throughout the 1990s, when most bilateral and multilateral donors withheld aid to protest the slow pace of economic and political reforms by the Moi government.

### Protecting and Blaming Refugees

Due to the political stability that the country has enjoyed since its independence, Kenya has provided a safe haven to hundreds of thousands of refugees escaping from violent conflicts in Uganda, Rwanda, Burundi, Ethiopia, Somalia, and Sudan. The country has also served as a transit point for the resettlement of these refugees in other countries or for voluntary repatriation to their countries of origin once the conflicts have subsided or been resolved. According to the United States Committee on Refugees, Kenya hosted 420,000 refugees at the height of the Somalia crisis in 1992. This figure fell fairly steadily to about 230,000 at the end of 2002.



## **Migration Information Source: Selected Readings on Migration and Development**

Although Kenya is a signatory to the international agreements on refugee protection, the country has no established national legal framework to handle refugee issues, including the management of their resettlement and integration in the country. Instead, the government has let the United Nations High Commission for Refugees be at the forefront of managing the bulk of refugee affairs in the country. With no programs for their permanent resettlement and integration in Kenya, a majority of refugees in the country are confined to camps in geographically remote semi-arid areas such as Dadaab and Kakuma. Refugees in urban areas such as Nairobi and Mombasa have more options than those in the camps, but their lack of recognized legal status has left them subject to frequent harassment by Kenyan police. They are also often the targets of native resentment and political scapegoating in connection with the rise in urban crime and the proliferation of firearms trafficked across the country's borders. Tensions between local communities and refugees living in camps have occasionally turned violent, with fatalities on both sides.

The threat of international terrorism has also recently impacted Kenyan attitudes and policies towards refugees with Muslim backgrounds. The bombing attacks by suspected Al Qaeda operatives on the US embassy in 1998 and on an Israeli hotel and plane in 2002 have spurred increased scrutiny by Kenyan police of refugees from Somalia and visitors from the Middle East. Since September 11, 2001, increased security checks have led to long delays in the departure of thousands of Somali Bantu refugees previously approved for permanent resettlement in the United States. Like these refugees, many ordinary Kenyans seeking visas to study, vacation, or conduct business in the US, the UK, and other countries have also faced additional requirements and longer waiting times.

The Kenyan government is active in regional peace initiatives, seeking political resolutions for the ongoing conflicts in Sudan, Somalia, the Democratic Republic of Congo, and Burundi. The success of such initiatives will help to allow more of the refugees a chance to return to their home countries. On the domestic front, however, repeated promises by Kenyan government leaders to enact comprehensive legislation on refugee rights have not been fulfilled. The latest proposals from Kenya's minister of home affairs include a plan to allow skilled refugees the right to live and work anywhere in the country.

### **Nation-building from Abroad?**

Despite a significant anti-corruption campaign and the steps towards greater democracy that Kenya has taken in the past decade, it is still unlikely that the country's economy will grow fast enough to absorb the hundreds of thousands of highly educated and unemployed/underemployed Kenyans. Migration outwards in search of opportunities by Kenyans of all ages today and in the near future seems to be one possible outlet for some of the country's population and unemployment pressures.

The new government led by President Kibaki promised to create 500,000 new jobs per year. In more than six months since coming to power, not even 10 percent of these promised jobs have been delivered, and it seems unlikely that this promise will be fulfilled in the next few years. The current state of the economy and high unemployment mean that an immediate return of Kenyans abroad is unlikely. It may actually be that many more talented, qualified, and unemployed Kenyans willing to migrate will continue to seek opportunities abroad, and contribute to nation-building through direct financial remittances or other forms of brain gain.

So far, it is obvious that the new government under President Kibaki is committed to ensuring that the repressive political policies that hounded many Kenyans away from the country will not be repeated. However, the economic weakness of the country will take a while to remedy, a process that can be helped by the quick eradication of corruption and the institutionalization of clear legal protections that will sustain a robust climate for increased foreign direct investment and contributions by Kenyans in the diaspora. Within the global economic context, and with all the advantages of modern communications and travel technologies, the Kenyan diaspora has a crucial contribution to make to nation-building.

Their contributions may not, however, need to be made with all hands literally on deck, as a new generation of internationally educated Kenyan entrepreneurs comfortable with negotiating the global business stage is already appearing. These include Ayatsi Makitiani, the young MIT graduate who founded Africa Online in the mid-1990s, and Segeni Ng'ethe, a graduate of Georgetown University who runs Mamamikes.com, an online store that allows clients anywhere in the world to send flowers

## Migration Information Source: Selected Readings on Migration and Development

on Valentines Day, a cake on Mother's Day, a crate of Tusker beer for Father's Day and even a live goat for Christmas to relatives and friends in Kenya and Uganda.

The challenges facing Kenya are not unique. Countries like China, India, and South Africa have developed different approaches for tapping into the expertise and other resources of their diasporas to meet their development goals and achieve global competitiveness. These countries are leading the way in turning the despair of brain drain into brain exchange and brain gain in different ways. Hopefully, a robust private-public framework that can facilitate productive linkages between Kenyan academics, researchers, artists, and investors at home and in the diaspora will emerge to consolidate the political and economic changes taking place in Kenya, as has been the case elsewhere.

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## Nepal's Dependence on Exporting Labor

By David Seddon  
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Nepal is one of the world's poorest countries, with a population of around 27 million and a per capita GDP of under US\$1. It is also landlocked, between India and China, and mountainous, situated between the Himalayas and the plain of the Ganges River. Agriculture remains a major source of livelihood, and tourism is also important.

But one of Nepal's major exports is labor, and most rural households now depend on at least one member's earnings from employment away from home and often from abroad.

The Labor Act of 1985 has facilitated arrangements for Nepali migration to about a dozen specified countries, but the government has failed to develop a coherent labor export policy. Every five years, the government of Nepal produces a plan as a policy guideline. Although the current 10th Plan recognizes both the contribution remittances make to the national accounts and the increasing demand for Nepali workers abroad, the government is struggling to keep up with these trends.

In the last decade, foreign labor migration has become a major feature of Nepal's economy and society. Approximately 700,000 Nepalis work "overseas," meaning beyond India, mainly in the Middle East, East Asia, and Southeast Asia. About five percent of these are women. At least another 700,000 work in the private sector in India, and 250,000 in India's public sector.



Migration from the rural areas to the towns and abroad has increased in recent years because of the Maoist insurgency, which began in 1996 when the Communist Party of Nepal-Maoist (CPN-M) launched a "People's War" to overthrow the monarchy as well as the government with the aim of establishing a Maoist people's democracy. The government's security forces have killed and terrorized innocent civilians as well as Maoists, as part of their efforts to combat the insurgency, a tactic that has also encouraged migration.

The government and international development agencies have been slow to recognize the significance of foreign labor migration, instead emphasizing agriculture as "the motor" for growth and development. Most agencies endorsed the government's "Agriculture Perspective Plan" in the 1990s, despite its flaws, and supported the "liberalization" of capital and commodity markets, but paid relatively little attention to opportunities for the employment of Nepali labor abroad.

## **Migration History**

Nepal has a long history of foreign employment in India, dating back to the beginning of the 19th century, when men from the hill areas of what was then known as Gorkha migrated westwards to the city of Lahore in the northern region of Punjab. There they joined up as soldiers in the army of the Sikh Rajah, Ranjit Singh. Even today, those working abroad are popularly known as "lahures."

After a war in the Gorkha area with the British East India Company (1814-1816), an increasing number of "Gurkhas" (mostly, but not exclusively from present-day Nepal) also joined the British army in India, starting a tradition that continues today.

Throughout the 19th century and well into the 20th, Nepali men served in India, often accompanied by their wives and sweethearts, who either remained in the regimental "lines" or accompanied their menfolk on campaigns as camp-followers. As the Gurkha settlements in India increased in number and size, they also attracted Nepali workers seeking civilian employment. The brothels that developed in these new centers may well have included women from Nepal and from the surrounding areas.

In addition, the development of tea estates in northeast India (in Assam and Darjeeling) increased demand for labor. Nepali workers — both men and women — came in substantial numbers, and a significant expatriate Nepali community began to grow in those areas.

During World War I, Nepal provided hundreds of thousands of men to fight for Britain and the Allies, suffering significant casualties and losses. As a result, many Nepalis decided to settle in India, where the economy was rapidly growing and employment opportunities were increasing. By contrast, Nepal's autocratic Rana dynasty was presiding over a "semi-feudal" and predominantly subsistence-based agrarian economy.

During the 1920s and 1930s in particular, there was a significant increase in the number of Nepali men and women working in India. Some intellectuals regarded this as shameful because it reflected poorly on the state of development within Nepal and revealed the ruling Rana dynasty's failure to generate economic prosperity within the country.

One area to which migrants flocked was Darjeeling, not only to work in the now well-established tea estates, but also to take up a variety of other jobs in what had become a major "hill-station" or resort. In Darjeeling, Sherpas, mountain people from the Solu Khumbu area of Nepal, were increasingly employed as porters for the climbing expeditions that approached the Himalayas via Tibet in this period.

In World War II, Nepal again provided hundreds of thousands of men as soldiers, and again suffered significant casualties and losses. When India achieved its independence, in 1947, some of the Gurkha regiments remained with the British army; others merged with the Indian army.

Over the next few decades, Nepali soldiers in both armies saw action in defense of Indian and British interests in other parts of Asia, including Kashmir, Malaya, and Borneo. From the 1970s onwards, however, the number of Gurkhas in the army has declined, and today only some 3,400 Nepalis are employed in the British Gurkhas.

## **Nepalis in India Today**

Significant numbers of Nepali men were employed in the Indian Army through the 1950s and 1960s, and recruitment to the Indian police and other services, including the civil service, augmented the total of those employed in the public sector in India. Towards the end of the 1990s, some 250,000 Nepalis were employed in India's public sector, of whom perhaps 50,000 were in the army.

According to research in 1997 by the Nepal Institute for Development Studies — the first systematic look at Nepali foreign labor migration — as many as 750,000 men and women were working in India's private sector. Most were engaged in manual labor jobs in industry, construction work, agriculture, or the service sector. Their wages tended to be low and the work was often dirty, dangerous, and even degrading. For example, some 100,000 to 150,000 Nepali women are estimated (by many sources,

but with little empirical evidence) to be employed in the sex industry across India.

Although average earnings are low and individual remittances relatively small, the aggregate value of money sent (or brought) back to Nepal from India has been substantial — probably between 25 and 30 billion Nepalese rupees (NRs), or about US\$450 million to US\$500 million, in the mid-1990s according to a study by Seddon, Adhikari, and Gurung.

### **Foreign Labor Migration as Private Enterprise**

With the approval of the Labor Act of 1985, the government of Nepal officially recognized the potential value of foreign labor migration "overseas," meaning beyond the Indian subcontinent. The government has done little since then to develop a coherent labor export policy or to provide any kind of training or support packages. The trade unions in Nepal are finally beginning to show an interest in overseas workers.

Foreign labor migration from Nepal is still largely a privately organized affair in which individuals make use of their own personal networks or make arrangements through a number of private, government-registered manpower or recruitment agencies. From the late 1980s onwards, Nepalis began to migrate in significant numbers eastwards to Southeast Asia and the Far East and, from the mid-1990s onwards, westwards to the Gulf countries.

According to research in 2002 by the Nepal Institute for Development Studies for the women's fund at the United Nations (UNIFEM), approximately 170,000 or more Nepalis were in East and Southeast Asia, with nearly 36,000 in Europe and over 10,000 in North America. However, the Gulf countries by this time had eclipsed Asian destinations; over 465,000 Nepalis were working in countries such as Saudi Arabia and Bahrain.

The majority of women migrant workers beyond India were in two countries — Hong Kong (44 percent) and Japan (9 percent) — with 56.5 percent in East and Southeast Asia. The remainder were in the UK (12 percent), the US (9 percent), Australia (6 percent), Bahrain (4 percent), and other countries. Most of them were working as domestics or in other areas of the service sector.

### **The Southeast Asia Connection**

Links established through the Gurkhas stationed overseas in Hong Kong and Singapore made these countries prime destinations for employment. In 1997 it was estimated that over 40 percent of all Nepalis living and working overseas were in Hong Kong, Singapore, and Brunei — most of them in Hong Kong.

The next most "popular" destination at that time was Japan. Although immigration to Japan was illegal and the risk of repatriation (or jail) was high, Nepalis could earn over 10 times the average wage in Nepal, even in low-skilled manual jobs in the service sector. A significant Nepali expatriate population had also developed in the UK, largely as a result of the "Gurkha connection."

The majority of women working overseas were to be found in these countries, where remuneration rates are high, demand for domestic workers buoyant, and the support of significant expatriate Nepali communities plentiful.

In February 2001, the Malaysian government officially "opened" its labor market to Nepali workers. Within six months, over 12,000 labor migrants had left for Malaysia, and a year later Malaysia was hosting some 85,000 Nepali migrant workers.

In total, it was estimated in 1997 that the value of remittances from countries not including India amounted to between 25 and 30 billion Nepalese rupees (NRs), or between US\$450 million and US\$500 million — about the same amount thought to be coming from India. The bulk of these remittances came from Southeast Asia (Malaysia, Singapore, and Brunei) and the Far East (Hong Kong, Japan, and Korea).

That number, combined with the remittances from India, would be between 50 billion and 60 billion NRs — nearly US\$1 billion and between 18 and 22 percent of Nepal's GDP — a very substantial

contribution to the national accounts and the national, regional, and household economies.

### **Nepalis in the Gulf Countries**

Increasingly, during the latter part of the 1990s, Nepalis began to migrate to the Gulf countries for work, particularly to Saudi Arabia, the United Arab Emirates (UAE), Kuwait, and Qatar. Within a short period, the number of manpower agencies operating in Kathmandu to recruit and send Nepalis to the Middle East had soared, as had the number of Nepalis migrating. The government's only contribution to this massive movement to the Gulf was to establish a consulate in Qatar to supplement the existing embassy in Saudi Arabia.

By August 2001, 87 percent of officially registered migrant workers (those recruited by recognized manpower agencies) were headed for the Gulf. An analysis of Nepali migrant workers in 2002 — by the Nepal Institute for Development Studies for UNIFEM, the women's fund at the United Nations — revealed that two-thirds of Nepalis working overseas were employed in the Gulf, mainly in Saudi Arabia (42 percent), Qatar (11.5 percent), and the UAE (nine percent). The total was estimated at 465,000 — 10 times more than in 1997.

In 1997, the value of remittances from the Gulf countries was estimated at 1.5 billion NRs, approximately US\$25 million. Other things being equal, remittances, like the number of Nepali workers in the Gulf, may have increased tenfold between 1997 and 2002, although no reliable figures are available.

### **Conclusion**

In the last five years, the importance of foreign labor migration to the Nepalese economy has increased as numbers of Nepalis leaving to find work abroad have soared. The total volume and value of remittances from Nepali workers abroad has increased significantly; remittances are possibly as high as 100 billion NRs (over US\$1.5 billion).

Migration continues partly because of growing insecurity in Nepal's rural areas as the Maoist insurgency has come to control large parts of the countryside. In addition, Nepalis must confront a lack of economic opportunities at home and increasing opportunities abroad.

Indeed, there has been much talk in Nepal recently of "internal displacement" and "forced migration" as a result of the conflict. Certainly, some of the better-off Nepalis in rural areas have been displaced. But it is difficult to distinguish those seeking to avoid the conflict from the bulk of economic migrants because the rural areas are so impoverished and because there has been little research on internal migration.

The failure to create and implement a coherent overall development strategy mobilizing all of Nepal's resources — including effective education, training, and manpower planning for human resource development — has led to low rates of growth and high levels of unemployment and underemployment in what remains a largely subsistence agriculture, handicraft, and service-based economy, with around 40 percent of the population below the poverty line. Hence, the massive upsurge in migration from rural areas to cities and other countries.

The implications of this situation are far-reaching for Nepal as a whole, for the structure and dynamics of regional and local economy and society, and — perhaps most of all — for households and individuals all over the country, both those directly involved in foreign labor migration and those left behind.

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## Labor Export as Government Policy: The Case of the Philippines

By Kevin O'Neil  
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Few countries have as many of their citizens living abroad as the Republic of the Philippines, or depend so greatly on migration for their economic vitality. According to the government, more than 7.3 million Filipinos, or eight percent of the country's population, currently reside abroad. From 1990 to 2001, official recorded remittances alone averaged 20.3 percent of the country's export earnings and 5.2 percent of GNP, providing a lifeline for many families in a poor country that saw little economic growth in several of those years.

However impressive, these figures understate the role that migration plays in Filipino national culture and public policy. For more than 25 years, export of temporary labor has been an explicit response to double-digit unemployment rates. The government has developed a sophisticated policy regime to promote and regulate labor emigration. Migrants, and migration, are valued: Each year, the president celebrates Migrant Workers Day by awarding the "Bayong Bayani" (modern-day hero) award to 20 outstanding migrant workers who have demonstrated moral fortitude, hard work, and a track record of sending money home.

### Recent History

Although Filipinos have a longstanding tradition of migration to the United States and elsewhere, government activism to promote labor migration from the Philippines began in the mid-1970s, when rising oil prices caused a boom in contract migrant labor in the Middle East. The government of dictator Ferdinand Marcos, from the mid-1960s to the mid-1980s, saw an opportunity to export young men left unemployed by the stagnant economy and established a system to regulate and encourage labor outflows.

This system, which continues today, has both a private and public component. On the private side, licenses were issued to Philippines-based agencies to recruit labor for employers in Saudi Arabia, Kuwait, and other destinations. On the public side, the government established the agency that would later become the Philippines Overseas Employment Administration (POEA), in order to provide contract labor directly to foreign employers, maritime agencies, and governments. The changes had the effect of bringing the work of Filipinos abroad under the authority of the Philippine government. Whether recruited privately or by the government agency, workers and recruiters enter into a contract that is enforceable under Philippine law.

The establishment of democracy in 1986 reversed neither the Philippines' poor economic fortunes nor its outflow of migrants. Public policy towards migration changed only incrementally, despite increasing criticism from civil society and the Roman Catholic Church. In 1987, the government directed the POEA to be more active in the protection of migrant workers' rights and welfare.

In 1995, the trial and execution of Filipina migrant worker Flor Contemplacion in Singapore turned the protection of migrants' rights into a burning political issue. The incident prompted the government to temporarily withdraw its ambassador to Singapore, to hasten its ratification of the UN convention of the rights of migrant workers, and to reiterate the POEA's mandate to focus on migrant welfare and rights—measures that failed to satisfy many of the government's critics in civil society.

The changes enacted in 1995 also expanded the POEA's mission to include promoting the return and reintegration of migrants. However, this emphasis on return never dismantled the overall strategy of facilitating labor migration. As recently as 2001 the national Economic Development Plan stated that overseas employment is a "legitimate option for the country's work-force" and outlined a four-point strategy for promoting the employment of Filipinos abroad.

Meanwhile, the character of the labor migration has changed. Male migrants have been joined and are now almost outnumbered by women. The "tiger economies" of Asia now rival the Middle East as the major destination for temporary workers, while migrants who go to North America and Oceania are far

## **Migration Information Source: Selected Readings on Migration and Development**

more likely to stay on as permanent immigrants. The occupations of migrants have diversified to include professionals, factory workers, and domestic workers, while the tradition of Filipino construction workers, sailors, and nurses remains strong.

### **Government Policy**

The Philippine government's goals have been remarkably clear and consistent: Migration should be promoted, but only for temporary work via regulated channels. The results have been mixed. The Philippines supplies an enormous amount of labor through regulated channels: 2.9 million "Overseas Foreign Workers" were abroad under official arrangements in 2000. However, these official, temporary flows coexist with other types of migration: The government estimated that another 1.8 million Filipinos were abroad irregularly in 2000 and that 2.5 million of its citizens had left for permanent residency elsewhere.

In theory, labor migration from the Philippines should be a smooth process, with the government playing a supportive and regulatory role throughout. The process begins with securing access to foreign labor markets. The government makes temporary labor migration a foreign policy priority in both bilateral and regional trade negotiations. This is an employment-driven strategy—securing the rights of its citizens to settle permanently abroad has never been a priority for the Philippine government. Host countries that have specific labor shortages but that discourage permanent immigration, such as many Middle Eastern countries, have been particularly good partners in this strategy.

At the same time that the government seeks to open official access to foreign labor markets, it also tries to prevent its citizens from using unregulated channels to migrate. In order to leave the country to work, Filipinos must be recruited by either a licensed recruiter or a government agency, or must have their contract approved by the POEA and enroll in the official benefits program. In 2000, 25,062 workers went abroad on these "independent" contracts. The government prohibits its citizens from overstaying a visa in a host country and maintains a list of workers banned from future contracts, in part to support its efforts to market Filipinos abroad as a high-quality "brand name" of migrant labor.

### **Protection of Migrants**

Although the Philippine government has turned over most of the responsibility for recruiting workers to the private sector, it retains a regulatory role, with the stated purpose of protecting workers from abuse and discouraging illegal recruitment. In order to be licensed, a recruitment agency must be Filipino-owned, meet capitalization and bonding requirements, and not charge workers more than one month's salary as a placement fee. A Philippine consulate verifies the terms of each worker's contract with the foreign employer. Should the employer violate the terms of the contract, the Philippines-based recruiter is held responsible through an adjudication process after the migrant returns.

Outside of the contractual relationship, the government has attempted to hold entire countries responsible for the protection of its workers. In 2003, for example, the Philippines, along with Indonesia, temporarily suspended new deployments of domestic workers to Hong Kong after repeated cases of abuse. The Philippine government eventually resumed sending workers, but continued to support lawsuits brought by migrants in Hong Kong's courts.

### **Support to Migrants**

With time, the government has discovered that carrots are more effective than sticks as a way of encouraging migrants to use official migration channels, to send money home, and to eventually return at the end of their contract. By migrating officially, migrants receive a number of subsidized benefits: pre-migration training on social and work conditions abroad, life insurance and pension plans, medical insurance and tuition assistance for the migrant and his or her family, and eligibility for pre-departure and emergency loans. Registration for these benefits, which are administered by the Overseas Workers Welfare Administration (OWWA), is compulsory and costs less than \$200 per year. This is paid by the recruitment agency, presumably out of the worker's wages, or directly by the migrant, in the case of independent migrants and those whose contracts are administered by the POEA.

## **Migration Information Source: Selected Readings on Migration and Development**

Remittances are a critical source of foreign exchange, and the government actively encourages migrants to send money home. For example, the OWWA issues an identification card to all official workers that is also a Visa card that can be linked to dollar or peso-denominated savings accounts in a consortium of banks. The card enables remittances to be sent at \$3 or less per transaction.

Innovations such as the Visa card are the product of a slow learning process on remittances—as late as 1985, the government, desperate for foreign exchange, was attempting to force workers to send remittances via a mandatory remittance quota. The Philippines' history of overvalued exchange rates had created serious deterrents to sending remittances through official channels and the quota failed miserably. Since then, the government's policies have been more reasonable: it has maintained a market-based exchange rate, worked to make sending remittances via private banks cheaper and easier, and even offered tax-free investment programs aimed at overseas workers.

Many of the support services the government provides are also intended to promote continued ties with the homeland. The government sponsors tours of Philippine entertainers and supports schools in areas overseas with high concentrations of migrants. Psychological counseling services that emphasize maintenance of "Filipino values" are offered through a network of offices abroad. Recently, the government decided to allow overseas workers to vote in national elections, with voting theoretically conditional upon return within two years, and committed a significant amount of money to overseas balloting.

Since 1995, the government has also made support of the return of migrant workers part of its policy priorities. Recognizing the propensity for migrants to return with substantial amounts of foreign goods, the government started profitable duty-free shops for returned migrants. Other privileges granted to returning migrants include tax-free shopping for one year, loans for business capital at preferential rates, and eligibility for subsidized scholarships.

### **Assessing Success**

From a human and social rights perspective, it is difficult to say whether the Philippine government's policies have accomplished their goals of protecting workers' rights, encouraging return migration, and spurring economic growth. Compared to other nations in the region that export labor on a large scale, such as Indonesia, the Philippines has produced an orderly and well-protected flow of migrants, and overseas employment has undeniably raised the incomes of many Filipinos.

Advocates for migrants charge that the government's efforts to protect official migrants have been inadequate and that it has ignored the abuse and trafficking of irregular migrants. Further, some social commentators charge that the government's activist stance on migration has not converted irregular migration into regular migration, but rather increased migration of both types. Even by official estimates, undocumented workers constitute a large percentage of Filipinos abroad and most of them work in extremely vulnerable sectors, such as domestic work. A significant number of female migrants become victims of traffickers and are forced into the sex industry, a testament to the human rights problems that Filipino migrants continue to face.

Critics also charge that the economic benefits offered by overseas work have not brought about sustainable change and come with grave social costs. They lament the growth of a culture in which work abroad is viewed as the only way up, and they worry that the best-educated young Filipinos are often found working abroad. Equally seriously, critics claim that the extended absence of migrant parents has deprived Filipino children of parental support and guidance. Also, although temporary emigration has increased more quickly than permanent emigration, many returned migrants do not put their skills to work at home, but merely bide their time until their next deployment abroad. The poorest Filipinos are rarely able to migrate and studies show that migration aggravates income inequality in the Philippines. Migration has raised the incomes of some, say critics, but done little to create jobs at home.

Migration and remittances are, however, powerful economic forces in the Philippines that cannot be easily dismissed. Migration has unambiguously raised the income of millions of Filipino workers and their families. It has encouraged investment in education and training in a country where per capita gross national income was a meager \$1,030 in 2001 and unemployment rates are high for skilled and unskilled workers alike. Filipinos overseas sent home over six billion dollars, or about 8.4 percent of

## **Migration Information Source: Selected Readings on Migration and Development**

national GDP, via formal channels in 2001. Migration makes a critical difference for many families: According to household surveys, about 17 percent of Filipino households receive remittances from a worker abroad temporarily and these households represent 25 percent of total household spending, figures that would rise if remittances from those who have emigrated permanently were included.

As more and more countries look to migration and remittances to drive their economic development, they will likely examine the Philippines' longstanding strategy of encouraging temporary labor migration as a potential model. The clearest lesson of the Filipino experience might be drawn from observing its evolution, and centers on the need for realism and flexibility in migration policy. The Philippine government has been unable to eliminate unwanted forms of emigration and when it has adopted coercive policies toward migrants, they have largely failed. Where it has understood the behavior of migrants, worked with that behavior, and given them positive incentives and support, its policies have fared much better.

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## Brain Drain and Gain: The Case of Taiwan

By Kevin O'Neil  
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September 1, 2003

Taiwan, like many developing countries, has seen the increasingly competitive global market for high-skilled workers channel many of its best-educated people into jobs overseas. But unlike many countries that have suffered from "brain drain," Taiwan has seen many skilled emigrants return home to boost the country's economic development.

While much of this success can be attributed to circumstances well beyond the sphere of migration policy, such as strong economic growth and relative political stability, several Taiwanese policies can also claim a share of the credit. Crucial among these have been a focus on subsidizing basic, rather than advanced, education, along with an active effort to network with the Taiwanese diaspora and promote its return.

Whether or not migration has created "net gain" for Taiwan cannot be said. What is clear, however, is that the country's experience with skilled emigration has been far more positive than that of many other developing nations. As such, Taiwan's lessons for policy makers are worth closer examination.

### Classic 'Brain Drain'

Taiwan once faced a classic case of "brain drain." Despite government restrictions, a total of over 100,000 Taiwanese left to study abroad in the latter half of the 20th century. During the 1970s and 1980s, an estimated 20 percent of Taiwanese college graduates went abroad for advanced study, and few of them returned. At the peak of the brain drain in 1979, only eight percent of students who studied abroad returned to Taiwan upon completing their studies.

This brain drain generated a great deal of political anxiety in Taiwan, but did not stop the country's economy from growing at a remarkable rate. Furthermore, the brain drain slowed and partially reversed in the 1980s and 1990s. The return rate for students has climbed to 33 percent in recent years. In total, 50,000 migrants returned from abroad between 1985 and 1990. These migrants came home with high levels of education, some of it subsidized by foreign governments and universities, and many also had significant business experience. The expertise they brought fueled a boom in the domestic high-tech sector. Taiwan remains a country of net emigration, but the brain drain is looking more and more like an economic gain.

Although a number of countries have seen slowdowns and reversals of low and/or high-skilled emigration, they have usually followed a radical change in the country's political situation or a marked turnaround in its economic outlook. In contrast, Taiwan's economy had been growing strongly and steadily for decades, and returns of migrants began to increase before the end of martial law and the beginning of democratic elections in the late 1980s. Gradually, Taiwan has evolved from a less-developed to developed country and, while still a nation of net emigration, now hosts a substantial number of guest workers and unauthorized immigrants. This makes its current immigration patterns similar to those of other developed countries.

### Setting the Stage: Education Policy

Taiwan's relatively positive experience with high-skilled migration was built on education policies launched in the 1950s, when the country began to invest in public and private education at a rate that far outstripped most countries with similar resources. When considering international migration, the distribution of this investment has been as important as its size. Taiwan's public funding of education has traditionally favored basic education and vocational schools. Only recently, as Taiwan's economy has become more technically sophisticated, have colleges and universities received priority.

In 1961, primary and secondary schools received 80 percent of all public education funds. This focus continued as recently as 1990, when the majority of secondary-school students were in vocational programs. These decades of heavy government investment in basic education have created a heavily

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subsidized vocational program that channels young people into medium-skilled jobs in Taiwan's booming manufacturing industry. With relatively comfortable, rising wages and secure jobs, such workers have had few incentives to migrate.

However, this structure left students seeking further education with few options but to migrate. Advanced degrees have only recently become a major component of the Taiwanese educational system. In 1991, only 165 doctorate degrees were awarded in engineering, a strikingly low figure for a country where 29 percent of exports were in the high-tech sector and over 10,000 patents were being registered every year.

Students wishing to study abroad could do so only by paying out of pocket or obtaining scholarships from the destination country, and then only after completing two years of military service and passing a qualifying exam. As a result, Taiwanese migrants have usually been upper-class students who have exhausted educational opportunities in Taiwan. Had advanced education been widely available in Taiwan, many of these people most likely would have migrated anyway after completing their studies, since only during the past two decades has the Taiwanese economy offered competitive employment opportunities for the very well educated.

### **Tapping the Diaspora: The Government as Catalyst**

The students who sought education and employment abroad have become Taiwan's interface with the global economy, managing and enhancing the solid manufacturing base promoted by the basic education policy. The involvement of this internationally acquired acumen—through both the physical return of migrants and their participation from overseas—has been promoted by the government itself through policies centered on the Taiwanese diaspora.

Taiwan's industrialization began with low-tech, labor-intensive export manufacturing. Capital and the majority of the technical expertise came from foreign investors. Gradually, as wages and skill levels rose, Taiwanese firms began using technology-intensive manufacturing processes and doing more design in Taiwan. As they did so, they used formal and informal connections to draw on the expertise and business connections of Taiwanese living overseas, and even to recruit them to work in Taiwan. Taiwan's export-oriented industrial sector made the skills of returned migrants easily transferable. These businessmen became heroes of Taiwanese industry and received the popular nickname of "astronauts" because so many "lived in the air" commuting to and from Silicon Valley. By 1987, 20 percent of the executives of large Taiwanese firms were former migrants. This reservoir of technical and managerial expertise—which owed its existence to migration—was an important factor in the Taiwanese economy's rapid development.

The Taiwanese government was quick to recognize the potential of migrants as a resource. Officials used migrant expertise in formulating government policy. The government established the National Youth Council in the early 1970s to connect Taiwanese businesses with skilled migrants. The council tracks migrants in a database, advertises jobs overseas, and provides travel subsidies and temporary job placement to potential returnees. The National Science Council and Ministry of Education have also recruited thousands of migrants as professors and visiting lecturers for the country's growing universities.

The Taiwanese government's most celebrated achievement in migration, however, has been the Hsinchu Science-based Industrial Park. Although it was not exclusively aimed at migrants, inspiration for the park came from overseas: one goal was to replicate the dense concentration of creative expertise found in Silicon Valley and elsewhere. The park was started in 1980 when the government provided financial incentives and planned infrastructure for companies relocating to or forming in the area. Subsidized Western-style housing and commercial services were provided to attract Taiwanese living overseas. The government sponsored international conferences on science and technology to give workers in the park more access to the international scientific community.

The park successfully attracted both high-tech companies and returning migrants. Companies in the park employed 102,000 people and generated \$28 billion in sales in 2000. Although only 4,108 returned migrants worked in the park that year, 113 of the park's 289 companies were started by US-educated Taiwanese, and 478 of the returnees hold Ph.D.'s, indicating that the returned migrants are better educated than the average worker in the park and wield influence disproportionate to their

## Migration Information Source: Selected Readings on Migration and Development

numbers. Overseas connections are still valued; 70 of the companies also have offices in Silicon Valley and many rotate their personnel between offices. The park is the center of Taiwan's rapidly expanding research and development sector and a major contributor to the country's strong economic growth.

### Lessons from Taiwan

It is impossible to know with certainty what role migration has played in Taiwan's development and how public policy affected it. However, relative to many other countries' experiences with high-skilled migration, Taiwan clearly has received greater benefits and paid lesser costs. If Taiwan holds lessons for other countries dealing with "brain drain" and seeking to promote return migration, they are:

**Subsidize education only up to the level actually demanded by the national economy.** In contrast to many developing countries, the Taiwanese government did not significantly subsidize advanced education, only to watch their expensively trained graduates leave for jobs abroad with great private rewards. Instead, it focused on providing strong universal basic education and vocational programs as demanded by the domestic labor market. Logic suggests that this policy reduced migration by subsidizing the kinds of education that would lead directly to attractive employment in Taiwan itself, as opposed to subsidizing advanced degree-holders who would be forced to seek jobs abroad. Moreover, this interaction with international migration is only one of many good reasons for developing countries to prioritize strong basic education.

**Migration can provide a "brain reserve."** The late development of Taiwanese universities could have caused a shortage of experts as Taiwanese industry rapidly increased in sophistication. Instead, Taiwanese living overseas provided advice from afar and returned to meet the growing demand. Thus, Taiwanese industry received critical expertise, at the moment it was most needed, from people whose advanced education had not been subsidized by Taiwanese taxpayers.

**Support diaspora networking and recruitment.** Taiwan began to benefit from its emigrants even before developing to the point where it could attract their return. Taiwanese migrants provided knowledge, business connections, and expertise to both the government and private sector through informal and formal networks. This was particularly powerful in an economy highly oriented toward trade and foreign investment. When Taiwan's economy reached the point where it could employ its high-skilled emigrants, those networks made the return of migrants faster and easier.

**Build a critical mass of returnees.** Creative, highly skilled people work and live best when surrounded with similar people. The problem is that highly educated migrants are reluctant to return to places where such people are lacking, so no one person is willing to move first. Taiwan's solution to this coordination failure was to subsidize the formation of a community of well-educated people at the Hsinchu Science-based Industrial Park. The result was a critical mass of creative, Western-educated people that attracted more returnees. However, it is critical to note that this measure succeeded only because there was already a positive political and economic outlook and real demand for the returnees' skills.

Clearly, the realities of particular countries can make them particularly well or ill-suited to apply the lessons of the Taiwanese experience. Countries suffering from severe political or economic instability, for example, have little hope of attracting the immediate return of high-skilled emigrants. They can, however, improve their future migration outcomes with well-guided education policies and by actively networking with their nationals abroad. Taiwan's example shows that a diverse range of public policies can shape a country's experience with migration.

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